

TABLE OF CONTENTS

Tab A	- Medical Benefits
A1	- Staff Study of Legislative Task Force
A2	- Justification
Tab B	- Death Gratuity
B1	- Staff Study of Legislative Task Force
B2	- Justification
Tab C	- Educational Allowances
C1	- Staff Study of Legislative Task Force
C2	- Justification
Tab D	- Liberalized Retirement
D1	- Staff Study of Legislative Task Force
D2	- Justification
Tab E	- Exemption from Performance Rating Act
E1	- Justification
Tab F	- Special Home Leave Benefits
F1	- Justification
Tab G	- Missing Persons Legislation
G1	- Justification
Tab H	- Job Security
H1	- Staff Study of Legislative Task Force
Tab I	- Personnel Reserve
I1	- Staff Study of Legislative Task Force
Tab J	- An act "To Improve and Strengthen the Administration of the Central Intelligence Agency."
Tab K	- Special Legislative Liaison Problems

SECRET



**MEDICAL BENEFITS**



STAFF STUDY OF LEGISLATIVE TASK FORCE

EXTENSION OF MEDICAL BENEFITS FOR  
OVERSEAS EMPLOYEES AND THEIR DEPENDENTS

1. PROBLEM

a. Should any medical and hospitalization benefits be made available to the members of families of CIA employees?

b. Are additional medical and hospitalization benefits necessary for CIA employees who are temporarily assigned abroad?

c. Should the provisions of law relating to "assignment abroad" be broadened so that assignments to U. S. territories and possessions are covered by the additional medical and hospitalization benefits now available only to assignments in foreign countries?

2. FACTS BEARING ON THE PROBLEM

a. Benefits available to employees.

(1) CIA employees wherever stationed are covered by the Federal Employees Compensation Act (FECA) with respect to medical care, hospitalization, disability, and death benefits resulting from injury or death incurred while in the performance of duty. This Act is the over-all Government statute covering all Government employees. In the event of injury in the performance of, full medical care and hospitalization are assured. In the event of permanent disability, an employee would receive two thirds of his basic pay. In the event of death, the widow with two children would receive seventy per cent of the employee's basic salary. The Act confers very liberal monetary benefits when measured against any other compensation plan. (Annex A)

(2) In the CIA Act of 1949 (Public Law 110) additional medical benefits are granted to employees permanently assigned abroad. The additional benefits consist of more liberal standards of eligibility for medical and hospitalization benefits. In effect, the law permits those benefits for any injury or illness which is not the result of misconduct or intemperance. In addition to the actual medical and hospitalization benefits, travel expenses are authorized to permit employees to be treated at the nearest locality where suitable hospitalization exists. (Annex B)

(3) There are also in existence two programs for insuring against hospitalization and surgical expenses. These programs are the Group Hospitalization, Inc., (GHI) and the Government Employees Health Association (GEHA). GHI has a standard plan available to groups in the Washington area and overseas and is considered by many one of the

- 4 -

Tab A1

SECRET

SECRET

better hospitalization plans. It provides both surgical and hospitalization benefits. GEHA is an older plan and is currently being supplemented by GHI in the CIA program. Benefits and costs are somewhat less than under GHI. Under both programs payments are not made if medical and hospitalization expenses are paid under FECA or PL 110. (Annex C)

(h) it is true that in certain areas abroad, informal arrangements can be made to take care of medical and hospitalization in various cases. For example, where CIA is operating a medical facility based on other considerations, treatments or hospitalization often can be granted on a basis of no direct cost to the Government. In addition, from time to time CIA has been able to arrange transportation for certain individuals on a space available basis from the military. In view of budget restrictions, nonreimbursable services available from other agencies will be increasingly difficult. In addition, utilization of the recently approved broad application of PL 110 will lessen the importance of these informal arrangements.

b. Benefits available to dependents.

(1) The GHI and GEHA programs mentioned above also include dependents.

(2) The informal arrangements discussed above for employees can be made in some cases for dependents. However, they are more important in the case of dependents since there is less that the Agency can do for dependents by virtue of existing laws. Therefore, any informal arrangements for hospitalization or transportation are extremely important in assisting what otherwise might be hardship cases.

c. The benefits of FECA are available no matter where the employee is assigned or physically located and without regard to permanent station assignment or temporary duty status. The benefits of PL 110, however, are available only to CIA employees permanently assigned abroad. Thus personnel on temporary duty abroad do not have the benefits of PL 110 available to them. Further, the present wording of the law denies PL 110 benefits to personnel assigned (whether permanent or temporary) to U. S. territories and possessions.

d. At the time CIA presented the then proposed PL 110, there had been included in it provision for medical benefits for dependents. The Bureau of the Budget took the position that CIA did not have any unusual grounds for requesting this legislation and, therefore, since no legislative precedent existed, they would not concur. On this basis, provision for dependents was deleted.

e. Pertinent here is the welfare foundation which was recently established. It is the purpose of this foundation to make grants in worthy cases to which CIA employees are confronted with personal hardships which are not reimbursable under Agency regulations. It is contemplated that

SECRET

the foundation would make grants in warranted cases where the dependents of an employee have become ill causing extreme financial hardship. Therefore, it will assist to some degree in solving some of the problems arising out of illness or injuries of dependents abroad.

f. The various military services base their medical care of dependents on various statutes. Those statutes generally are permissive in nature rather than directive. However, through the years tradition and administrative practices developed so that it is regarded now as a privilege and a right to secure medical care for dependents. In the recent past there have been attempts in the Congress to cut down availability of such benefits.

g. No civilian agency of Government to this date has secured legislation permitting expenses of medical care and hospitalization of dependents to be assumed by the Government.

25X9A2

25X9A2

h. At the present time there are approximately  employees abroad with a total of  dependents.

25X1

(1) Based on this figure the best estimate of annual costs for a program of making the proposed medical and hospitalization benefits (including transportation) available to dependents in foreign countries would be .

(2) The annual costs for making such benefits available to personnel on temporary duty abroad are estimated at \$4,000.

25X1

(3) Broadening the concept of "assigned abroad"   in addition to foreign countries is estimated to cost annually:

25X1

(a) Employees (Permanent assignment)

(b) Dependents

(c) Employees (Temporary duty)

25X1

(4) Estimated costs for the entire proposed program total . 25X1

### 3. DISCUSSION

a. It can be argued that since CIA sends an employee abroad and pays for the transportation of his dependents, CIA should assume similar responsibilities for the dependents with respect to medical care and hospitalization as are assumed for the employee. In either case the hardship on the employee is just as real. On the other hand it can be argued that the matter of sending dependents abroad is a question of privilege with the Government agreeing to pay the expenses of transportation if the employee desires his dependents with him. Having exercised his choice then the risk of illness to dependents is assumed by the employee. From the standpoint

of the Agency it can be further argued that the individual may be in no frame of mind to fulfill his duties if he is concerned with getting his wife or children to a suitable hospital for medical treatment.

b. A few examples of past cases will illustrate that this matter can be of a very serious nature. The facts are masked to avoid identification of individuals.

25X1A6A

25X1A6A

(1) An individual was sent to [ ] and took his wife with him. Since [ ] has a high incidence of Tuberculosis if the employee were to contract Tuberculosis the Government under FECA would return him to the United States and hospitalize him for an appropriate period of treatment. In addition they would pay disability compensation during the period of his disability. However, when the wife contracted Tuberculosis, CIA was not authorized either to pay for transportation or reimburse any of the expenses of medical care and hospitalization.

25X1A6A

(2) An employee was sent to [ ] Accompanying him were his wife and three children. In the event the employee came down with polio, expenses of transportation, medical care, hospitalization, and disability benefits, if applicable, would be assumed by the Government under FECA. When one of the children came down with polio, it was necessary for the wife to accompany the child back to the United States for treatment probably for an extended period. Again CIA was not authorized to pay any of the transportation, medical, or hospitalization expenses.

25X1A6A

(3) In [ ] an employee of CIA [ ] appeared to have been plagued with a series of "near accidents." Finally the employee and his wife, while walking down the street, were struck down by a hit and run truck. An inference was drawn, because of his association with certain operations which somehow became known, that the accidents were directed at taking his life. Since the facts supported such an inference, CIA assumed full responsibility for medical and hospitalization expenses and, under FECA, disability payments would have been forthcoming, if applicable. On the other hand the wife with the same disability or injury and incurred as a result of being married to a CIA employee was not entitled to the medical benefits provided by either FECA or PL 110.

25X1C4A

c. The principal protection afforded for medical care of dependents is the GHI insurance coverage. However, the benefits available are considerably decreased where hospitalization occurs abroad. This is due to the fact that various hospitals under contract are not available and a dollar rate is then substituted for the actual hospitalization benefits. Consistent with the over-all career concept developing within CIA, it would seem highly desirable where employees are subjected to hardships arising out of illness or injury occurring to their dependents, that some provision for relief be made. If it can be fairly stated that the hardship would not have arisen except for the fact that the individual was placed in a

particular position by CIA, it is believed that equitable grounds are established for furnishing relief from the hardship. There should also be considered that from a practical standpoint, most wives are to some extent knowledgeable of their husbands' affiliations with the Agency. Inevitably they also learn names of other people and gain a glimmering of the type of activities. Under such situations CIA, for security reasons, might not wish those individuals to be treated abroad, particularly where anesthetics would be involved.

d. In examining the problem it would seem that the equities which create the desirability for this type of benefit for dependents arise only where the employees are assigned abroad. In connection with the extent of coverage the eligibility standards can be assimilated either to FECA or PL 110. It is believed that use of PL 110, "Standard of Eligibility", is not completely defensible since specific examples which might be cited would appear to lack complete justification. One such example could be hospital care for the wife of a CIA employee injured in a traffic accident

25X1A6A [redacted] On the other hand, equating the "Standard of Eligibility" to FECA would be far more defensible in that there would have to be established a causal relationship by the fact of the individual being in a particular location because of the head of the family's employment by CIA. In each of the cases indicated in paragraph "b" above, there is every likelihood that the proper causal relationship could be established. Fundamentally, in each case the individual was exposed to hazard by virtue of being a dependant of a CIA employee and being with him. Conditional hazard would not be present were the employee stationed in the United States. It would seem necessary and desirable to incorporate some type of limitation under present circumstances when an employee suffers a disability, illness, or injury, which may extend for some time. Payments are made by virtue of authority in PL 110 only until such time as the case can be processed to the BEC. Thereafter CIA does not reimburse the expenses involved. Since there would be no method of turning over similar cases where dependents are involved, some limitation must be established which would be susceptible to sample administration. This would act to avoid payments covering extended periods of illness or hospitalization. The question of who are members of the family and who are dependents could be guided by the regulations applicable to travel which designate the members of the family for whom CIA will assume travel expenses. These generally include wife, children, and dependent parents of the employee. (Annex B)

e. Due to present statutory limitations, the inability of CIA to afford equal treatment to employees abroad based solely on assignment status (i.e., whether permanent or temporary duty) results in inequitable situations. Where two people [redacted] are afflicted with pneumonia (not traceable to performance of duty under FECA standards) it is strongly urged that a designation of type of duty status should not result in one receiving medical and hospitalization care from CIA and the other person being denied it. The justifications supporting such benefits for permanently assigned personnel are substantially applicable to persons on temporary duty. The key here is that both types of persons are performing official duties at the particular geographical location pursuant to official orders.



25X1A6A

f. The present statutory meaning of "abroad" excludes such locations as [redacted]. The justification for additional benefits while abroad was based on lower standards of sanitation, medical practice, and hospital facilities and in some locations the complete inaccessibility of medical and hospital facilities. That justification validly applies to the above-cited locations. For security reasons the specific locations cannot be specified in legislation and the simplest solution is to have the term "abroad" extended to include U.S. territories and possessions. (See Annex A)

g. In view of the previous experience by CIA on attempting to secure legislation, careful consideration must be given to the appropriateness of again seeking legislation. There have been no dissenters within the Agency to the view that this type of legislation for dependents is desirable. Balanced against the unanimous view is the fact that this could well be one of the more controversial items to present to the Congress. Clearly we would have to demonstrate why CIA employees and their dependents are in such a different position than normal civilian employees to warrant this additional benefit. It is believed that a reasonably strong justification can be presented to the Congress, but it is difficult to judge at this moment the seriousness of the opposition that may arise in both the Bureau of the Budget and in the Congress. In any event it would seem highly desirable that if CIA were presenting a package career service act that the justification could be presented in a much stronger light than if it were presented as a single item.

#### 4. CONCLUSIONS

a. Medical and hospitalization benefits for members of families of CIA employees are desirable and will do much to foster the CIA Career Program and alleviate many hardship problems which are inevitable of great concern to CIA.

b. Medical care and hospitalization benefits include transportation to hospital facilities and should be made available to members of the immediate families of CIA employees. Those benefits should be available where the employee has permanent assignment abroad and has his dependents with him. The eligibility for such benefits should depend on a prior determination of causal relationship based on exposure to additional hazard in a manner similar to the standard utilized by the Bureau of Employees Compensation. Such benefits would be available only for the period the dependent is abroad or until the employee's current tour of duty is terminated, whichever occurs earlier.

c. The benefits available to employees under PL 110, Section 5(a)(5) who are permanently assigned abroad should be made available to CIA employees who are temporarily abroad on official Agency business.

d. The medical and hospitalization benefits of PL 110, Section 5(a)(5) should be made available to CIA employees performing duty in the territories and possessions of the United States.

e. Legislation is required to effect the above conclusions.

ANNEX A

Federal Employees' Compensation Act

General.

The Federal Employees' Compensation Act provides that the United States shall pay compensation (as set forth in general below) for the disability or death of an employee resulting from a personal injury sustained while in the performance of his duty and for the administration of the Act by the Bureau of Employees Compensation, Department of Labor. However, no compensation shall be paid by the Bureau if the injury or death is caused by the willful misconduct of the employee or by the employee's intention to bring about the injury or death of himself or of another, or if intoxication of the injured employee is the proximate cause of the injury or death.

Definitions.

The Act defines "employee" to include all civil officers and employees of all branches of the Federal Government, including officers and employees of instrumentalities of the United States wholly owned by the United States, and persons rendering personal services of a kind similar to those of civilian officers and employees of the United States to any department, independent establishment, or agency thereof, without compensation or for nominal compensation, in any case in which acceptance or use of such services is authorized by an Act of Congress or in which provision is made by law for payment of the travel or other expenses of such person. It defines the term "injury" to include, in addition to injury by accident, any disease proximately caused by the employment. The term "compensation" is defined as including the money allowance payable to an employee or his dependents as well as any other benefits (such as hospital expenses) paid for out of the compensation fund.

Exclusiveness of Remedy.

Section 7(b) of the Act provides that the liability of the United States, or any of its instrumentalities, under the Act or any extension thereof with respect to the injury or death of an employee shall be exclusive, and in place, of all other liability of the United States or such instrumentality to the employee, his legal representative, spouse, dependents, next of kin, and anyone otherwise entitled to recover damages from the United States or such instrumentality, on account of such injury or death, in any direct judicial proceedings in a civil action or in admiralty, or by proceedings, whether administrative or judicial, under any other workman's compensation law or under any Federal tort liability statute.

- 10 -

Tab A1

SECRET

Compensation Benefits.

The following schedule sets forth, in general, employee benefits under FECA.

<u>Type</u>	<u>Qualifications</u>	<u>Amount</u>
1. Hospital and medical expenses	If approved facilities used and procedures followed	Varies with case
2. Travel to place of treatment	If local facilities are not suitable or available	Varies with case
3. Services of an attendant	If Administrator finds it necessary because employee is helpless as to require constant attention	Not to exceed \$75 per month
4. Compensation for time lost	If desired. May take accrued sick and annual leave	66 2/3% of monthly salary or schedule award
5. Augmented compensation for dependents	If one or more dependents, wife, husband, unmarried child, parent	8 1/3% of monthly pay (Limited to that part of monthly pay not in excess of \$420)
6. Funeral and burial bills	If death results from the injury	Not to exceed \$400, at the discretion of the Administrator
7. Death Benefits		
a. Widow	Until remarriage or death	45%
b. Widower	If wholly dependent upon wife. ('Til remarriage, death or capable of self-support)	45%
c. Children	'Til child marries, dies, or reaches 18	To widow 40%, and 15% for each child not to exceed 75%
d. Orphan children	'Til child marries, dies or reaches 18	35% for one child and 15% for each additional child not to exceed 75% divided among such children share and share alike

- e. Parents (1) If one dependent and one not (1) 25%  
(2) If both are dependent (2) 20% to each
- f. Other dependents (1) If one dependent (1) 25%  
(2) If more than one (2) 30% share alike  
(3) If one wholly dependent but one or more only partially dependent (3) 10% share alike

Territories and Possessions of the United States.

Territories: Hawaii  
Alaska

Possessions: Puerto Rico  
Canal Zone  
Cora Islands  
Guam  
Virgin Islands of the United States  
American Samoa  
Midway Islands  
Wake Island  
Canton Island  
Enderbury Island  
Johnson Island  
Sand Island  
Swan Island  
Trust Territory of the Pacific Islands  
  
Northern Marianas  
Caroline Islands  
Marshall Islands

## ANNEX B

## Central Intelligence Agency Act of 1949

General.

The CIA Act of 1949 authorizes payment of the cost of treatment and, where required, travel expenses to the nearest suitable hospital or clinic, in the event of illness or injury requiring hospitalization, not the result of vicious habits, intemperance, or misconduct on the part of the claimant, incurred in the line of duty while the officer or full time employee is assigned to a permanent-duty station outside the continental United States, its territories and possessions. It also authorizes the establishment of a first-aid station and a nurse at permanent-duty stations overseas where the number of personnel warrants such a station and payment of the cost of physical examinations and administering inoculations or vaccinations at overseas stations.

Discussion.

The CIA Act authorizes the payment of medical expenses arising out of illness or injury "incurred in the line of duty." In scope, the criterion "incurred in the line of duty" encompasses the concept "incurred in the performance of duty" found in the Federal Employees' Compensation Act and extends to cover also illness and injury "not the result of vicious habits, intemperance, or misconduct on his part, incurred while on permanent assignment abroad." The Act does not authorize the payment of compensation for time lost from work due to such illness or injury, nor the payment of disability or death benefits.

The language contained in the subject medical authorities was drawn from the Foreign Service Act of 1946 with congressional comments relating thereto so indicating, without discussion. When we look to the administration of that Act under vouchered funds and the surveillance of the General Accounting Office over payments made thereunder, we find a ready reference for guidance. Set forth below is a complete list of (1) illnesses and injuries in the Foreign Service for which payment was made under their authority during the fiscal year 1951, (2) the number of cases of each type, and (3) the average number of days of hospitalization for each type of illness or injury.

<u>Illnesses</u>	<u>No. of Cases</u>	<u>Average Days</u>
Infectious Diseases		
Dysentery	24	12
Bronchitis	11	8
Hepatitis	41	19

SECRET

<u>Illnesses</u>	<u>No. of Cases</u>	<u>Average Days</u>
<b>Infectious Diseases (cont'd.):</b>		
Influenza	15	6
Malaria	6	4
Meningitis	1	11
Misc. Fevers	12	13
Dengue Fever	1	15
Rheumatic Fever	3	14
Scarlet Fever	1	10
Tick Fever	1	11
Misc. Intestinal Parasites	3	7
Mononucleosis	4	19
Mumps	3	10
Paratyphoid	1	6
Pleurisy	4	6
Poliomyelitis	2	6
Pneumonia	21	12
Tonsillitis	12	5
Tuberculosis	14	174
Typhoid	6	13
<b>Injuries:</b>		
Automobile Injuries	7	7
Fractures	20	35
Head Injuries	5	10
Hernia	24	12
Misc. Injuries	7	6
<b>Tumors and Cysts:</b>		
Cancer	16	30
Cyst	11	7
Benign Tumor	24	13
<b>Respiratory Disorders:</b>		
Misc. Respiratory System Disorders	9	19
Misc. Upper Respiratory Infections	16	5
Tonsillectomy	7	7
<b>Digestive Disorders:</b>		
Appendectomy	6	6
Appendicitis	46	10
Colitis	9	9
Diabetes	4	19
Misc. Digestive Disorders	13	9
Fissure Anal	5	33
Food Poisoning	3	5
Gall Bladder Disorders	5	17
Gall Bladder Operations	3	40
Gastroenteritis	18	15
Hemorrhoids	14	8
Liver Disorders	2	27

SECRET

<u>Illnesses</u>	<u>No. of Cases</u>	<u>Average Days</u>
Digestive Disorders (cont'd.):		
Misc. Rectal Disorders	8	10
Rectal Fistula	6	8
Sprue	1	18
Ulcers	16	25
Cardiovascular Disorders:		
Raynauds Disease	1	1
Heart Condition	12	144
Hypertension	10	7
Misc. Circulatory Disorders	10	21
Thrombophlebitis	4	53
Eye, Ear, & Nose Disorders:		
Ear Infections	9	10
Injuries to Cornea	5	6
Misc. Eye Conditions	6	19
Sinus Disorders	7	8
Psychoneurosis:	20	19
Urological Disorders:		
Kidney Disorders	14	15
Misc. Urological Disorders	12	15
Misc. Male Genito System Disorders	7	19
Neurological Disorders:		
Neuritis	6	11
Multiple Sclerosis	1	33
Skin Conditions:	11	9
Gynecological Disorders:	19	7
Locomotor System:		
Arthritis	13	9
Bursitis	6	5
Misc. Locomotor System Disorders	13	9
Osteoporosis	1	27
Ductless Gland:	4	28
Allergic Reactions:	4	9
Medical Observations	30	5

SECRET

Tab A1

SECRET

ANNEX C

Hospital and Surgical Insurance

General.

Hospital and surgical Group Insurance Plans are available to Agency employees through the Government Employees Health Association, a charitable corporation, incorporated under the laws of the District of Columbia. The need for this vehicle for the processing of insurance applications, payments and claims, arose out of the operational and security requirements of the Agency that precluded normal application and claim submission by Agency employees. As a corollary to the requirement for a proper vehicle, CIA provides for the administration of the Government Employees Health Association as a gratuitous service to those employees availing themselves of the service. With the exception of the method of application, payment of premiums and claim submission and payment, the Group Insurance Plans available at the present time (Mutual of Omaha and Group Hospitalization Incorporated) do not differ from those offered by the same companies to the general public. The benefits are the same.

Comparison of Benefits.

The attached tables provided by the Insurance Task Force list benefits offered by Group Hospitalization Incorporated and Mutual of Omaha, known within the Agency as GEHA.

SECRET



TABLE C<sup>1</sup>

## Overseas Benefits

Currently  
Offered  
by Omaha

Currently  
Offered  
by GHI

Hospitalization

- |  |   |
|--|---|
| <p>1. Hosp. Board &amp; Room: \$9.00 per day for 31 days \$279<br/>with no limit on frequency, plus<br/>\$135.00 for hospital extras..... \$135<br/>max. \$414</p> <p>2. Plus surgical as shown below.</p> <p>3. Plus out-patient emergency up to..... \$135</p> <p>4. <u>Waiting period.</u> 1st of next month.</p> <p>5. <u>Maternity.</u> Waiting period 9 months and<br/>extended 9 months beyond term. of contract.</p> <p>(a) \$9.00 per day for 14 days..... \$126<br/>plus up to \$45.00 total for Hosp. extras. \$ 45<br/>max. \$171</p> <p>maternity total..... max. \$171</p> | <p>1. Hosp. Board &amp; Room: \$10.00 per day for 21 days \$210<br/>with 90 day interval on frequency, plus<br/>\$64.00 for hospital extras..... \$ 64<br/>max. \$274</p> <p>2. Plus surgical as shown below.</p> <p>3. Plus out-patient emergency up to..... \$ 10</p> <p>4. <u>Waiting period.</u> 1st of next month, except for<br/>tonsillectomies and pre-existing conditions--<br/>10 months.</p> <p>5. <u>Maternity.</u> Waiting period 10 months.<br/>No extension beyond term. of contract.</p> <p>(a) \$9.00 per day for 8 days..... \$ 72<br/>..... max. \$ 72<br/>except Caesarean, termination of ectopic<br/>pregnancy and miscarriage, for which hos-<br/>pitalization benefits are 1. above.. max. (\$274)<br/>instead of \$72.00</p> <p>maternity total..... \$ 72<br/>or \$ 274</p> |
|--|---|

Tab A1

SECRET  
-17-

Currently  
Offered  
by Omaha

Currently  
Offered  
by GHI

Surgical  
(Example)

\$ 50.....Hernia Ing. unil.....	\$ 100.	(Fees paid will fully cover surgical costs if subscriber is a single participant whose income is \$3000 or less or if a family participant whose income is \$5500 or less.)
75..... " " bilat.....	140.	
100.....Appendectomy.....	100.	
100.....Radical mastectomy.....	175.	
50.....Fracture of spine.....	125.	
35.....Hip dislocation.....	75.	
150.....Prostatectomy.....	200.	
50.....Normal delivery.....	80.	
100.....Caesarean.....	150.	
150.....Removal of kidney.....	175.	
50..... " " cataract.....	150.	
100.....Gastrectomy.....	250.	
25.....Tonsillectomy.....	55.	
25.....Adenoidectomy.....	55.	
25.....Hemorrhoidectomy.....	60.	
50.....Normal Delivery.....	80.	
150.....Hysterectomy.....	165.	
<u>\$ 1285.</u>	<u>\$ 2135.</u>	

TABLE C<sup>2</sup>

## Benefits in Washington

Currently  
Offered  
by OmahaCurrently  
Offered  
by GHI

1. Hosp. Board & Room: \$9.00 per day for....\$279.  
31 days with no limit on pregnancy,  
plus \$135.00 max. for hospital extras..... 135.  
414.

2. Plus surgical as shown above ---

3. Plus out-patient emergency up to 135.  
\$549.

4. Examples

Bd. & roomNormal

\$ 90.00.....	appendectomy.....10 days.....	\$135.
270.00.....	comp. fracture.....30 "	405.
126.00 Plus a maxi-bilat. hernia.....14 "		189.
90.00 max of \$135. unilat. " ....10 "		135.
126.00 to cover all.hysterectomy.....14 "		189.
90.00 hospital ex-hemorrhoidectomy 10 "		135.
27.00 tras.....tonsillectomy... 3 "		40.

Hospitalization

1.\* Hosp. Complete Service for 21 days (Semi-pri. -  
Partic. Hospital) with 90 day interval on  
pregnancy.....see below  
plus \$5.00 per day for additional 180 days..\$900.  
see below

2. Plus surgical as shown above ---

3. Plus out-patient emergency up to 10.  
see below

4. Examples

Bd. & room (diff.)

(/ 45)	
(/ 135)	
(/ 63)	Plus all hospital extras, (16
(/ 45)	listed) which range from \$50.
(/ 63)	for the simplest, uncompl-
(/ 45)	icated appendectomy to very
(/ 13)	substantial amounts for the
	serious or complicated case.

Net - 50% greater on Bd. & room than Omaha

1.\* Basic costs of Bd. & room @ \$13.50 per day are  
absorbed by GHI completely

TABLE C<sup>3</sup>  
Costs (monthly)

<u>Omaha</u>			<u>GHI</u>		
<u>Hosp.</u>	<u>Surgical</u>	<u>Total</u>	<u>Hosp.</u>	<u>Surgical</u>	<u>Total</u>
----	----	1.60..individual contract.....	1.70	1.00	2.70
----	----	4.75..indiv. & spouse contract.....	3.70	3.20	6.90
----	----	6.00..indiv. & spouse & children.....	3.70	3.20	6.90

SECRET

ANNEX D

Extract from Foreign Service Travel Regulations

1.2 Definitions

a. Employee

b. Family -

(1) Wife

(2) Children (including step-children and adopted children) who are unmarried and under 21 years of age or, regardless of age, are physically or mentally incapable of supporting themselves.

(3) Parents (including step-parents and adoptive parents) of the employee, or of the spouse, when such parents are American nationals and are 50 percent or more dependent on the employee for support.

(4) Sisters and brothers (including step-sisters, step-brothers, adoptive sisters, and adoptive brothers) of the employee, or of the spouse, when such sisters and brothers are American nationals, are 50 percent or more dependent on the employee for support, are unmarried, and are under 21 years of age; or, regardless of age, are American nationals and are physically or mentally incapable of supporting themselves.

(5) Husband who is physically or mentally incapable of supporting himself.



JUSTIFICATION

SECRET

EXTENSION OF MEDICAL BENEFITS FOR OVERSEAS EMPLOYEES  
AND THEIR DEPENDENTS

Inequities exist under current authorities in the field of medical benefits for employees of CIA and their dependents. Certain overseas employees are being denied medical benefits merely because they are serving in a temporary-duty assignment or at a post in a territory or possession of the United States. Also, at the present time, there is no authority for providing medical benefits to the dependents of Agency employees serving overseas. It is requested that consideration be given to the enactment of legislation designed to eliminate these inequities.

The Central Intelligence Agency Act of 1949 (63 Stat. 208) provides medical benefits to certain Agency employees overseas. The authority for providing these benefits is contained in Sections 5(a)(5)(A) and (C) of the Act. The additional benefits consist of more liberal standards of eligibility for medical and hospitalization benefits than are provided by the Federal Employees' Compensation Act of 1916 (Public Law 267, 64th Congress), as amended.

The language of Section 5 was based on Title IX, Part E of the "Foreign Service Act of 1946" (Public Law 724, 79th Congress). Under the provisions of that Act, medical benefits authorized therein may be provided all officers and employees of the Foreign Service who are assigned abroad, regardless of their particular status at the time of overseas assignment. The Department of State has defined "assigned abroad" to mean "while physically outside the continental limits of the United States pursuant to official orders." The wording of the authority in Section 5(a)(5)(A) and (C) of the CIA Act appears to grant the same benefits as those granted by the State Department authority. Section 5(a) of the CIA Act, however, limits the application of the CIA authority to officers and full-time employees assigned to permanent-duty stations outside the continental United States, its territories, and possessions. This limitation precludes payment of medical expenses of employees who are overseas on temporary-duty orders, or who are serving in areas such as [ ] and [ ]

Present statutory limitations require distinctions between overseas personnel based solely on their assignment status (i.e., whether permanent or temporary duty) and result in inequities. Two employees stationed at the same post and both afflicted with cancer (not traceable to performance of duty under the standards of the Federal Employees' Compensation Act) should receive the same medical and hospitalization benefits from CIA. The justifications supporting such benefits for permanently assigned personnel are substantially applicable to persons on temporary duty. The basic factor in both situations is that the employee is performing official duties at a particular geographic location pursuant to official orders. As noted above, the present statutory meaning of "abroad", as contained in CIA authority, precludes the extension of medical benefits to personnel in locations such as [ ]

25X1A6A

25X1A6A

25X1A6A

SECRET

The justification for medical benefits, in excess of those provided under the Federal Employees' Compensation Act, was based on lower standards of sanitation, medical practice, and hospital facilities and, in some locations, the complete inaccessibility of medical and hospital facilities. That justification is equally valid with respect to the above-cited legislation. Furthermore, it is believed that the fact that a particular area may or may not be a "territory or possession" has no bearing whatsoever on the health and sanitary conditions in that area.

The cost to the Government of extending medical benefits to Agency employees on temporary-duty assignments overseas as well as extending the "assigned abroad" concept in the CIA Act to include U. S. territories and possessions in addition to foreign countries, is estimated to be very low in terms of the benefits to be derived. Based on our recent experience, the cost would be approximately \$11,000 per annum.

Another basic problem is the Agency's lack of authority to provide medical benefits for the dependents of personnel serving overseas. The mission of the Central Intelligence Agency requires the permanent assignment of career employees to all areas of the world. It has long been an established Government policy to allow dependents of employees serving abroad to accompany these employees at Government expense. The merit of such a policy is above question. The presence of an employee's wife and family in the area is extremely beneficial to his morale and, as a consequence, he performs more effectively. Also, it is our belief that the Government has a moral obligation to reimburse its employees for medical costs and incidental travel expenses due to illness contracted by their dependents by reason of conditions to which they are exposed because of the employee's work. The proposed legislation provides as a criterion of eligibility for dependents' medical benefits that there be a causal relationship between the contraction of the dependent's condition and the place and nature of the employee's assignment. The criterion is similar to the requirement in the Federal Employees' Compensation Act that an employee's condition is traceable to the conditions of his assignment.

It has been estimated that the annual cost of administering a program providing medical benefits for dependents will be approximately \$247,000. This amount would provide funds for medical benefits to dependents of Agency employees "assigned abroad" on a permanent duty basis including those in territories and possessions.

Favorable consideration of the proposed legislation is requested.

- 24 -

Tab A2

SECRET





DEATH GRATUITY



**STAFF STUDY OF LEGISLATIVE TASK FORCE**

PROVISION OF DEATH BENEFIT TO A DEPENDENT RELATIVE OF  
PERSONNEL WHO DIE WHILE IN AGENCY EMPLOYMENT

1. PROBLEM

Because of the unique nature of this Agency and the consequent peculiarities in the status of its personnel in relation to personnel of other Government agencies, certain disadvantages are incurred by survivors of Agency personnel in procuring the monetary benefits to which they are entitled by reason of the decedent's government employment. (See Annex A)

2. FACTS BEARING ON THE PROBLEM

a. The ostensible employment of covert personnel in other governmental and non-governmental positions necessitates extensive internal processing of records, and, in some cases, an unsubstantiated claim, in applying for death benefits under existing programs available to government employees. In extraordinary cases, no death benefits however deserved may be forthcoming. (See Annex A)

b. All existing measures for death benefits - as provided by the Civil Service Retirement Act of May 22, 1920, as amended; by the Federal Employees' Compensation Act of September 7, 1916, as amended; and by the War Agencies Employees Protective Association insurance policies - are contingent upon the occurrence of certain conditions precedent. (See Annexes B, C, D, respectively.) Security factors cause inordinate but unavoidable delays to arise in the acquisition, processing, and review of data required to prove the presence of the required conditions.

c. The military services are authorized to pay a death gratuity to the appropriate survivor(s) of an amount equal to six months pay at the rate received by the officer, enlisted man, or nurse at the time of his or her death. (34 U. S. C. 943 Navy; 10 U. S. C. 903 Army). (See Annex E)

d. Since World War II a trend toward gratuitous insurance for employees has appeared in the field of private industry. (See Annex F)

e. There is no general legislative precedent for a death gratuity for survivors of civilian employees of the U. S. Government. However, 5 U. S. C. 118 (f) may represent a step in this direction since it does allow a grant of money to survivors of indigenous civilians employed abroad. (See Annex G)

f. Since the emphasis in a career service program is on the selection and development of younger personnel, it is believed that a low mortality rate does and will prevail in this Agency and that the cost of such a benefit would not be excessive. (See Annex H)

### 3. DISCUSSION

In the past century strong new influences have come into the labor-management relationship. These influences have been manifested in public social security legislation and private agreements between labor and management. They have been stimulated by enlightening studies in the field of employee motivations. The effect of these influences is that wages are no longer measured solely in terms of remuneration for work performed, but also in terms of health and welfare benefits provided by management. Every employer, public and private, must reckon with the trend of employee benefits and keep pace thereof lest his efforts to attract and retain personnel be jeopardized.

### 4. CONCLUSIONS

a. In order to compensate for inordinate delays in receiving death benefits and thereby place personnel of this Agency on an equal basis with employees of other civilian services, and to equalize this Agency's competitive position with the military services and private industry in developing a career service, a death gratuity benefit should be incorporated in the career service program.

b. The death gratuity should be awarded immediately upon official notification of death.

c. The gratuity should be a lump sum of \$1,000.

d. Since this gratuity will be contingent solely upon death while in the Agency's employment, it should be in addition to, and not an alternative of any moneys to which the survivor(s) may be entitled by reasons of contributions by the decedent during his lifetime or under workmen's compensation provisions. It should not be subject to set off any indebtedness of the decedent. (See Annex H)

e. This gratuity should be available only to survivors of regular officers and employees of the Agency, excluding consultants, persons whose services are obtained by special contracts, and military personnel in active status assigned to duty with this Agency.

f. This gratuity should be awarded regardless of the cause of death; however, intoxication, attempts to do harm to oneself or to another, or any deliberate misconduct on the part of the employee resulting in his death should raise a presumption of ineligibility of the survivors, which presumption may be set aside at the discretion of the Director.

ANNEX A

Disadvantages of Survivors of Agency Personnel

The subject of financial assistance to his survivors in the period of emergency after his death is a most important one in the mind of every breadwinner. By offering a means of coping with the problems of this subject, the employer increases efficiency by building better morale and reducing turnover.

Probably the three largest employee groups are: (1) those in private industry, (2) those in military service, and (3) civilian employees of the Government. All have some form of death benefits. Free insurance programs exist and are being extended by the employers for the benefit of the first group. The military services grant a death gratuity. Members of the third group are subject to the more complicated administrative procedures and limitations of the Civil Service Retirement Act and the Federal Employees Compensation Act. (See Annexes B and C, respectively)

Survivors of Agency personnel may enjoy a slight advantage in that once a claim has left this Agency it may receive confidential and more expeditious handling in the Civil Service Commission or the Bureau of Employee's Compensation. In order to preserve the efficacy of any special arrangements, however, they must only be used in cases which fully warrant them. For reasons of security, the Agency prefers to have its claims processed in a manner normal to other Government establishments.

Before a claim for any benefits which become due upon death may be submitted to the Civil Service Commission, it is necessary that the employee's leave record and financial accounts be settled. This often requires the submission of data from the field. Any funds which may be due the survivors are subject to set off any indebtedness of the employee to the Agency. When extremely covert arrangements for purchases of articles or pay have been effected, as has happened and probably will continue to happen, the settlement of accounts becomes complicated and drawn out.

Death claims to the Bureau of Employee's Compensation must be accompanied by a certificate of death and an Official Superior's Report of Injury, Form CA-2. The component of the Agency of which the decedent was a member or his superior in the field must submit the completed CA-2, together with an opinion as to whether operational security might be jeopardized by submission of the case to the Bureau. This statement is forwarded through the Security Office for review and final decision on security questions.

If a claimant appeals directly to the Bureau, the claim is immediately passed to this Agency so that the internal procedures required for the maintenance of security will not be circumvented. The procedures of claiming employee compensation awards are receiving great attention in the Insurance and Claims Branch of the Employee Services Division, and considerable progress has been made. However, the number of organizational components and the number of persons involved will still be a handicap on efficient procedures. This problem is peculiar to a security agency.

With respect to both civil service retirement claims and employee compensation claims, it is conceivable that the case of a particularly sensitive employee could not be submitted for death benefits, even to the cleared Agency contacts. This same employee might for security reasons be barred from obtaining War Agencies Employee Insurance. There would be no means of compensating his survivors. CIA Regulation   sheds much light on the proper use of Sect. 10 Public Law 110, 81st Congress, 1st Session, and on the basis thereof it is considered doubtful that such compensation could properly be made thereunder.

25X1A

Attached herewith are two tables. Table A<sup>1</sup> is a chronological listing of Agency employees who have died during the fiscal years 1952 and 1953. This table shows the time lapse between the date of death and the date Agency accounts were settled. The time consumed by internal Agency processing is shown in the column headed "Lapse Months."

Table A<sup>2</sup> shows the schedule of lapsed time between the date of death and the dates on which disbursements were made from the sources indicated in favor of the survivors.

The median average lapse of all cases shown in Table A<sup>1</sup> is 3 months. Five recently settled cases were selected to constitute Table A<sup>2</sup> since (1) they include both vouchered and unvouchered employees and (2) the delay in each of the selected cases approximates the median delay of 3 months.

For the purpose of processing records all death cases are handled on the basis of the decedent's being a staff employee.

The data shown in Table A<sup>1</sup> and the extension of information on some of those cases in Table A<sup>2</sup> show that a considerable portion of the total lapsed time from the date of the employee's death to the first receipt of money is attributable to the Agency's internal processing as required by security factors.

TABLE A<sup>1</sup>

Officers and Employees Who Died While in Agency Employ During Fiscal Years 1952-1953 and Whose Accounts Have Been Settled

<u>Case</u>	<u>Vouchered or Unvouchered</u>	<u>Date of Death</u>	<u>Account Settled and Forwarded</u>	<u>Lapse Months</u>
1	V	7-6-51	7-26-51	1
2	V	8-8-51	6-13-52	10
3	UV	8-14-51	3-21-52	7
4	UV	10-11-51	3-21-52	5
5	V	11-17-51	5-22-52	6
6	V	12-31-51	2-6-52	2
7	V	2-18-52	5-7-52	3
8	V	2-29-52	5-7-52	3
9*	V	3-21-52	5-28-52	2
10	UV	4-20-52	1-26-53	9
11	UV	4-12-52	11-17-52	7
12	UV	5-9-52	8-4-52	3
13	V	5-17-52	2-4-53	9
14	UV	7-29-52	3-16-53	8
15	UV	8-25-52	10-23-52	2
16	V	8-29-52	9-18-52	1
17	UV	8-31-52	2-13-53	4
18	UV	9-16-52	3-13-53	6
19	UV	9-26-52	3-30-53	6
20*	UV	10-14-52	1-31-53	3
21	UV	11-11-52	12-8-52	1
22	UV	12-17-52	2-25-53	2
23	V	1-21-53	4-16-53	2
24	UV	2-21-53	4-1-53	3
25	UV	2-22-53	3-17-53	2
26	V	3-9-53	4-17-53	2
27	UV	3-12-53	6-16-53	3
28	UV	3-14-53	5-28-53	2
29	UV	3-30-53	6-24-53	3
30	V	4-12-53	7-7-53	3
31*	UV	5-6-53	7-20-53	2
32	V	5-8-53	6-23-53	1
33	V	6-12-53	8-3-53	2
34	V	6-29-53	9-15-53	3
35*	UV	9-9-53	12-23-53	3
36	V	11-9-53	12-10-53	1
37	V	12-3-53	1-7-53	1

\* Died outside U. S.:

25X1A6A

TABLE A<sup>2</sup>

Payment-Dates of Selected Cases\*

<u>Case</u>	<u>Pay Status</u>	<u>Date of Death</u>	<u>Date Agency Account Settled</u>	<u>Final Pay</u>	<u>Dates of Payment</u>		
					<u>W.A.E.P.A.</u>	<u>C.S.C.</u>	<u>B.E.C.</u>
1	UV	3-12-53	6-16-53	6-18-53	4-16-53	8-10-53	N.A.
2	UV	3-30-53	6-24-53	6-18-53	N.A.	7-10-53	N.A.
3	V	4-12-53	7-7-53	7-10-53	N.A.	7-21-53	N.A.
4**	UV	5-6-53	7-20-53	8-11-53	N.A.	8-12-53	Pending
5	V	5-8-53	6-23-53	7-8-53	N.A.	7-20-53	N.A.
6	UV	10-11-51					Filed 4-8-52 Rejected 10-9-52

\* Five recently settled cases were selected as representative of median cases. The sixth case was selected only to show elapsed time of a B.E.C. case.

\*\* Died overseas. All others died in U. S.



ANNEX B

Death Payments as Provided by the Civil Service Retirement Act  
of May 22, 1920, as Amended

The only lump sum amount payable to the survivor of an employee is the unpaid compensation due the decedent. (See 5 U. S. C. 61 (f).) The legislation embodied in 5 U. S. C. 61 (f) is designed "to facilitate the settlement of accounts of certain deceased civilian officers and employees of the Government." This legislation is indicative of a cognizance on the part of the Congress of the burdensome procedures and delays in making funds available to survivors. However, this legislation does not affect the annuity or refund amounts which are controlled by separate legislation.

Immediate lump sum payments of annuity or refund moneys may be made only (1) if the deceased employee has completed less than 5 years civilian service, or (2) if he has completed 5 years service but leaves no widow or children entitled to immediate or future annuity. If a deceased employee leaves a widow or children entitled to an immediate or future annuity, a delayed lump sum payment may be paid (1) when the annuity of the last survivor has terminated or (2) if the deceased employee is survived only by a widow and her right to future annuity is lost by her remarriage or her death before the age of 50. (Quess. 188-190, Page - 27-28, Pamphlet 18, U. S. C. S. C., May 1951).

The primary purpose of the Civil Service Retirement Act is that it is aimed at providing a subsistence fund over a period of years, and not at alleviating the immediate financial burdens attendant upon the death of a breadwinner. A death gratuity is aimed at the latter.

ANNEX C

Death Benefits as Provided by the Federal Employees Compensation Act  
of September 7, 1916, as Amended

In case of death resulting from injury or disease, the law provides for payment to the personal representatives of the deceased employee an amount not to exceed \$4,000.00 for the payment of funeral and burial expenses.

The Federal Employees Compensation Act has its roots in the common law master-servant relationship and the workmen's compensation laws which have so modified that relationship that employer responsibility for job-incurred injuries by employees has been greatly extended. The only bars to employee compensation for job-incurred injuries by Federal Employees are willful misconduct, intoxication, and intent to bring about injury to oneself or to another employee. The common law bars of assumption of risk, contributory negligence, or fellow-employee negligence are of no effect.

The only requirements for employee compensation benefit are work injuries or occupational diseases. Underlying these requirements which are so broad as to apparently make an insurer of the employer, is the basic responsibility of the employer to provide a work area free of hazards. A statement of one of the sponsors of the bill which subsequently was enacted as the Act of September 7, 1916, is germane: "...accidents do happen even in occupations not usually denominated hazardous. If under such circumstance an accident does happen, it is certainly because at that particular time and under these particular circumstances there was some hazard." (Congressional Record (House), July 12, 1916, Vol. 53, Page 10892).

Employee compensation is not a largesse of the Government but is a fulfillment of a moral obligation, hence its value as an inducement to career service is neutralized and the acquisition of benefits is delayed by procedural requirements.

ANNEX D

Death Payments as Provided by the War Agencies Employees  
Protective Association

The War Agencies Employees Protective Association was founded during World War II when unrestricted life insurance was unavailable to many civilian U. S. Government employees who were to serve overseas. The service of this Association has continued and offers unusual benefits and low cost coverage. It is contemplated that membership in the Association will no longer be limited to persons actually preparing to embark, but will be extended to those who indicate an intent to serve overseas.

Attached herewith as Table D<sup>1</sup> is a table describing War Agencies Employees Protective Association insurance cost and coverage.

The merits of this insurance program cannot be questioned; however, the employee who chooses to avail himself of the program must undertake a financial obligation to do so. Therefore, the employee who already carries insurance which covers him outside the continental limits of the United States and/or already carries insurance which he desires to retain without incurring additional obligations may find the opportunity of War Agencies Employees Protective Association insurance beyond his reach.

The attraction of the insurance program as a career-inducing benefit is limited to those who can and will avail themselves of it. A death gratuity benefit would be available and attractive to all employees.

TABLE D<sup>1</sup>

Tab B1

<u>Age Group</u>	<u>Basic Salary</u>	<u>Amount of Basic Policy</u>	<u>Current Dividend Life Insurance</u>	<u>Additions Accidental Death Benefit</u>	<u>Total Coverage</u>	<u>Cost Per Month</u>
Up to 40 incl.	Less than \$3,200	\$ 5,000	\$1,000	\$ 7,500	\$13,500	\$ 4.17
	\$3,200 & over	10,000	2,000	15,000	27,000	8.33
41-50 incl.	Less than \$3,200	\$ 5,000	\$1,000	\$ 7,500	\$13,500	\$ 5.22
	\$3,200 & over	10,000	2,000	15,000	27,000	10.42
51-65 incl.	Less than \$3,200	\$ 5,000	\$1,000	\$ 7,500	\$13,500	\$ 6.25
	\$3,200 & over	10,000	2,000	15,000	27,000	12.50

SECRET

- 36 -

SECRET

ANNEX E

Death Gratuity in the Military Services

The Military Services have been authorized since 1908 (35 Stat. 128) to pay a death gratuity consisting of an amount equal to six months pay at the rate received by the officer, enlisted man, or nurse at the time of his or her death, the only requirement being that death is caused by wounds or disease while on active duty. (34 U. S. C. 943, NAVY), (10 U. S. C. 903, ARMY).

As can be found stated in Vol. 58 Congressional Record, P. 5693, this death gratuity benefit is of a long standing and is designed to tide over the emergency caused by the death of the head of a family. This intent was reaffirmed in an amendment subsequent to the case of Spotswood v. U. S., 80 Ct. Cl. 836, 1935. The decision in the Spotswood case stated that a death gratuity became part of the decedent's estate and was subject to distribution accordingly. The present wording of the U. S. Code reflects the amendment that the gratuity be paid directly to designated persons for the purpose of implementing the legislative intent.

The power to award death gratuities is vested in the Secretaries of the respective departments and it may be exercised "immediately upon official notification of death."

There is no statement that such a gratuity is subject to set-off of any indebtedness of the decedent. Since it is designed as a right of the survivor, it is not likely that such a set-off provision would be present. The conditions of active duty and official notice of death are readily established (except in those missing in action cases which are otherwise covered), therefore the delays of proving eligibility are avoided.

The U. S. Court of Claims in Lemly v. U. S., 1948, 75 F. Supp. 248, 109 Ct. Cl. 760, stated that provisions for compensation of injuries and diseases contracted by military personnel "were enacted for motives of public policy and should not be narrowly construed." This statement is broad enough to admit the implication that the public interest will be served by the existence and liberal construction of benefit provisions, in that career military service will be fostered. The public interest would also be served by fostering the development of a career intelligence service.

SECRET

ANNEX F

Comparable Benefit in Private Industry

Although an insurance program at the employer's expense differs from a gratuity benefit, they have, from the viewpoint of the employee, the same effect. Consideration has therefore been given to the extent of free insurance programs in private industry.

In a paper entitled "Trends in Employee Benefits", contained in the Proceedings of the Silver Bay Conference on Human Relations in Industry, 1952, James M. Black, of Associated Industries of Cleveland, reported on a survey of 104 leading Cleveland companies. On page 58 of the above-mentioned paper, it is stated:

"Group life insurance - usually between \$1000 and \$2000 - is available at company expense at almost all companies employing 1000 or more people. This is not a recent development. The trend in this direction has been noticeable ever since World War II, and it was accelerated after the Ford and Bethlehem pension settlements in 1949."

A further indication of the extent of free insurance on a nationwide scale may be found in the Digest of Selected Health, Insurance, Welfare, and Retirement Plan under Collective Bargaining, published by the Bureau of Labor Statistics in August, 1951. Of the 37 firms constituting the base of the survey, 10 provided insurance at company expense. Among these 10 listed were the American Woolen Co., the Bigelow-Sanford Carpet Co., the Kaiser-Frazer Corp., and the Minneapolis-Honeywell Regulator Co.

These statistics reflect (1) the place in the employee's mind of the necessity for financial assistance to his survivors in the event of his death, and (2) the recognition on the part of management of the value of such a benefit as increasing efficiency by inducing employee security and continued employment. The experience of private industry in this regard might well be applied to Government service.

SECRET

ANNEX C

Existing Limited Death Gratuity for Civilian Employees

Although there is no direct precedent for a death gratuity as proposed herein, it is believed that 5 U. S. C. 118 (f), which is quoted below is of significant bearing:

(Public - No. 181 - 76th Congress)  
(Chapter 286 - 1st Session)  
(S. 1523)

AN ACT

To authorize the payment of burial expenses and expenses in connection with last illness and death of native employees who die while serving in offices abroad of executive departments of the United States Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the head of any executive department, which maintains permanent staffs of employees in foreign countries is hereby authorized to pay out of any appropriation available to the department concerned for miscellaneous or contingent expenses, burial expenses, and expenses in connection with last illness and death, not in excess of \$100 in any one case, of the native employees of such department in those countries with respect to which the Secretary of State shall determine it is customary for employers to pay such expenses; and the head of any executive department, which maintains permanent staffs of employees in foreign countries where such custom does not exist, is authorized, upon finding that the immediate family of the deceased is destitute, to make such payments within the limitations prescribed above to the family, heirs-at-law, or persons responsible for the debts of the deceased, as the officer in charge of the office abroad in which the deceased was employed shall determine to be proper.

"Approved July 15, 1939"

This legislation is directly applicable only to indigenous employees of the U. S. Government in foreign lands, however, the latter portion thereof, beginning after the semi-colon, contains an expression of recognition of a non-contributory award to civilian employees of the Government without the qualification that injury or death occur in the performance of duty.

ANNEX H

Cost to Agency of Death Gratuity Benefit

During the past two years, about 40 Agency employees died. The total cost to the Agency over this period would have approximated \$40,000. Considering this sum in the light of the total number of Agency employees, the cost per employee covered would be very small. The cost per employee is the counterweight in determining the advantages to the Agency.

The emphasis in a career service program must be on the selection and development of younger personnel. Over the years, the fewer positions in the higher scale of the service will cause a natural selection out process to be operative. This process will minimize the cyclical factor of groups of young personnel growing old at the same time.

A career service program is based on selectivity and reduced numbers of personnel. If the sums provided for career benefits are conducive to that end, those sums may well be counterbalanced by fewer salaries and reduced administrative costs resulting from a lower turnover percentage.

Since a straight gratuity would involve a minimum of administrative procedures, the cost of administration of such a benefit would not be a significant addition to the over-all cost structure.



ANNEX I

Gratuity Not a Bar or Set-Off to Other Moneys

The sole requirement for a death gratuity as herein proposed should be death while in the Agency's employ. The administrative delays imposed by security considerations could thereby be avoided and the optimum value as a career inducement could be derived.

As stated in other portions of this study, existing death provisions are conditioned upon the presence of certain facts (as regards Civil Service Retirement or Employee Compensation) or upon consideration by the employee (War Agencies Employee insurance). They arise out of situations which are over and above the mere fact of employment, therefore a right to any moneys which may accrue from such situations should not be a bar to moneys due from the naked relationship of employment.

Since the right to such a gratuity would be contingent upon employment at the time of death, and no right would become vested until such happening, the authority of the Director under Sect. 102 (c) of the National Security Act of 1947 could be exercised without fear of a claim from a survivor or survivors of an employee who had been terminated.

- 41 -

Tab B1

SECRET

JUSTIFICATION

PROVISION OF DEATH BENEFIT TO A DEPENDENT RELATIVE OF  
PERSONNEL WHO DIE WHILE IN AGENCY EMPLOYMENT

Problems arising from the unusual security requirements imposed upon Agency employees are responsible for certain inequities to their survivors in procuring the monetary benefits to which they would normally be entitled. As a result of considerable study on this problem within the Agency, it is recommended that legislation be enacted to authorize payment of a death gratuity to the survivors of deceased Agency personnel.

The CIA has developed a career service concept in its employment practices which places certain unique responsibilities on its employees while at the same time providing benefits designed to compensate for some of the restrictions involved in employment with an intelligence organization. Acquisition of existing death benefits - as provided by the Civil Service Retirement Act of May 22, 1920, as amended; by the Federal Employees Compensation Act of September 7, 1916, as amended; and by commercial insurance policies - is contingent upon compliance with certain administrative requirements. In normal Government employment, the facts and records necessary to effect fairly rapid payment of claims or benefits may be made available by the Agency concerned as necessary. This is often not the case with this Agency. Security factors cause inordinate but unavoidable delays to arise in the acquisition, processing and review of data required to prove the presence of the required conditions. In some cases it is impossible to substantiate claims without jeopardizing intelligence sources. As a consequence, it is considered that employees of the CIA and their survivors are at a disadvantage, as compared with other employees of the Federal Government.

Precedent for the payment of death gratuities exists in the military services. They are authorized to pay a death gratuity of an amount equal to six months' pay at the rate received by the officer, enlisted man, or nurse at the time of his or her death (34 U.S.C. 943 Navy; 10 U.S.C. 903 Army).

The legislation proposed by the Agency would give it the necessary authority to pay death gratuities to survivors of deceased employees. The gratuity would be awarded immediately upon official notification of death and regardless of the cause of death. However, intoxication, attempts to do harm to oneself, or any deliberate misconduct on the part of the employee resulting in his death would raise a presumption of ineligibility of the survivor(s) to the gratuity. The gratuity would be available only to the survivors of bona fide employees of this Agency. The gratuity would be in the amount of \$1000 and would provide an appropriate and immediate financial assistance to survivors, the equivalent of about three months of average income. Since the gratuity would be contingent solely upon death while the individual is in the employ of the Agency, it would be in addition to any other compensation or benefit to which the survivor might be entitled. The gratuity would not be subject to set-off for indebtedness.

It is estimated that the cost of a death gratuity program such as the above would not be excessive in terms of the benefits which would be derived. Approximately 40 Agency employees died during the past two fiscal years. In comparison with the total number of Agency employees, the cost per employee covered would be small; yet, it is believed that the provision of this benefit would be advantageous to the Agency and its personnel.

Favorable consideration of the proposed legislation is requested.

**SECRET**

**EDUCATIONAL ALLOWANCES**

**SECRET**

**SECRET**

**STAFF STUDY OF LEGISLATIVE TASK FORCE**

- 46 -

**SECRET**

**Tab C1**

SECRET

## EDUCATIONAL ALLOWANCES FOR MINOR DEPENDENTS OF AGENCY PERSONNEL

### 1. PROBLEM

What legislation, if any, should be sought by the Agency concerning allowances to officers and employees for the education of their minor dependents while at permanent stations outside the continental United States?

### 2. FACTS BEARING ON THE PROBLEM

a. The Agency does not now have either a formal policy or consistent practice concerning educational allowances for school-age dependents of its personnel stationed in foreign countries or in United States possessions and territories.

b. Legal opinion states that there is no uniform or specific authority within the Agency to expend money for such educational allowances.

c. Post differential payments made to employees of this Agency are based on a variety of hardship factors and paid as a percentage of the employee's salary without regard to existence or number of dependents.

d. Educational facilities for school-age dependents in various locations, particularly in foreign countries, are frequently unsuitable, inferior, excessively expensive, or non-existent.

e. The military services have authority to pay tuition costs for dependents of their military personnel and civilian employees at foreign military posts.

f. Other governmental agencies, including the Department of State, do not have authority to pay allowances for education of dependents of their employees overseas.

g. The Bureau of the Budget has sponsored a committee, including representatives of State, FGA, Defense and CEC, to draft an "Overseas Civilian Service Act" to consolidate and revise the laws relating to overseas and territorial civilian employees. A sixth draft provides in pertinent part:

"(4) An education allowance or grant as follows:

(1) An allowance to assist an employee

(a) to provide for the elementary and secondary education of his minor dependents, including costs of tuition, board and room, correspondence courses and related costs;

(b) to transport his minor dependents, whenever adequate elementary and secondary educational

SECRET

SECRET

facilities are not available at the post at which he is serving, to and from the nearest locality where such facilities are available."

### 3. DISCUSSION

a. The concept of Career Service in the Agency contemplates that employees serve, when and where required, in the best interests of the Agency. It is inevitable that many employees with minor dependents will be required to serve in localities without adequate elementary and secondary educational facilities while accompanied by such dependents.

b. It is therefore considered that an allowance for elementary and secondary level education of minor dependents of such employees is a legitimate goal for this Agency.

c. Legislative precedent for such allowances exists with reference to the military services.

d. It is desirable that legislation permit such allowances to be authorized, in the discretion of the DCI, in United States possessions and territories as well as in foreign countries.

e. One vehicle for the establishment of adequate authority is the draft legislation sponsored by the Bureau of the Budget to equalize, by payment of an allowance, the costs of education of minor dependents overseas.

### 4. CONCLUSIONS

a. Payment to officers and employees of an allowance for elementary and secondary level education of minor dependents in their company while serving in localities without adequate educational facilities or where the costs of such facilities are excessive would serve to encourage career service.

b. Legislative authority in addition to that now extended to the Agency is necessary before such allowances may be paid.

c. The purpose of such allowances should be to assist officers and employees to provide for elementary and secondary education of minor dependents, but not to pay all costs directly and indirectly connected with such education.

d. Factors which should be considered in computing such allowances are:

(1) A curriculum generally equivalent to that available in the public schools of Washington, D. C.;

(2) The amount of tuition and fees charged for minor dependents attending the public schools of Washington, D. C.;

SECRET

Tab C1



~~SECRET~~

(3) Tuition, board, and room, correspondence courses and related costs; and,

(4) Transportation to and from the nearest locality where a generally equivalent curriculum is available.

e. The legislation should authorize allowances, as required, for personnel stationed in foreign countries and in United States possessions and territories.

f. The legislation should cover all Agency personnel in order that the Director of Central Intelligence could authorize educational allowances in extraordinary circumstances for foreign nationals who are not indigenous to the area of employment.

g. The Agency should seek legislation on this subject in the following order:

(1) Secure the required specific authority in an Agency legislative program designed to further career service in the field of national intelligence;

(2) In the event the Agency should not advance a legislative program, then support legislation advanced by the Bureau of the Budget for general application to governmental agencies and obtain extension of such legislation to this Agency; or,

(3) If neither of the above is feasible during the next session of the present Congress, then budget specifically for such allowances in the next Agency appropriation bill, thus seeking to establish annual legislative precedent and authority for such allowances.

~~SECRET~~

Tab C1

**SECRET**

**JUSTIFICATION**

**SECRET**

SECRET

EDUCATIONAL ALLOWANCES FOR MINOR DEPENDENTS  
OF AGENCY PERSONNEL

In accordance with the CIA concept of a professional career service, a career employee accepts the obligation to serve anywhere and at any time and for any kind of duty as determined by the needs of CIA. As a result of this concept, many employees with minor dependents are required to serve in overseas localities where elementary and secondary educational facilities are unsuitable, inferior, excessively expensive or non-existent. It is believed that the Agency should be authorized to pay an educational allowance to offset the difficulties referred to. The lack of such authority can result in a difficult financial situation for the individual employee with a resulting damage to his morale and effectiveness. In some cases it may result in the Agency losing his services outright.

The legislation proposed by the Agency would enable it to provide an allowance for the elementary and secondary school education of a minor dependent accompanying an Agency employee to an overseas destination. The allowance would partially defray the higher cost of education of minor dependents in overseas areas as compared with the normal cost of such education in public schools in the United States. It is to be noted that under the authority requested the Agency would be able to pay educational allowances to some foreign nationals. The CIA believes such authority is necessary in view of the fact that certain foreign nationals with long periods of service are employed by the Agency in overseas areas to which they are not indigenous. It is not contemplated that this authority would be used to pay educational allowances to individuals who are indigenous to the area in which they are employed.

SECRET

TAB C2

**LIBERALIZED RETIREMENT**

STAFF STUDY OF LEGISLATIVE TASK FORCE

## LIBERALIZED RETIREMENT FOR CIA PERSONNEL

### 1. PROBLEM

The proposal that a liberalized retirement system be adopted for CIA employees raises the following questions:

a. Do the duties of these employees vary to such a degree from the duties of the average Government employee as to warrant a more liberal retirement system?

b. Assuming that their duties subject them to unusual working conditions, is a liberalized retirement system a feasible method of affording them compensation?

c. Inasmuch as legislation would be required to effect a change in their retirement benefits, should this legislation take the form of (1) a CIA retirement act, or (2) an amendment to the Civil Service Retirement Act?

d. What factors should be considered in computing retirement benefits?

e. What weight should be given to the applicable retirement factors?

### 2. ASSUMPTION

It is assumed that a liberalized retirement system could not be justified for CIA personnel purely on the basis of their CIA employment. Although their duties subject them to unusual security restrictions, this situation is not so unusual in Government agencies as to warrant special retirement benefit consideration. Consequently, this study is confined to consideration of a liberalized retirement system for CIA employees whose duties subject them to working conditions which are substantially different from those of the average recipient of Civil Service retirement benefits.

### 3. FACTS BEARING ON THE PROBLEM

a. A "Committee on Retirement Policy for Federal Personnel," commissioned by the Congress, under the leadership of Eliot Kaplan is currently engaged in a study of the entire Government retirement system. Its findings might very well affect any legislation which CIA requests for its employees.

b. Precedent exists for liberalized retirement systems for Government employees whose working conditions are somewhat comparable to those

of a substantial number of CIA employees in Section 691(d) of 5 U. S. Code Annotated for persons engaged in the investigation and apprehension of criminals (for example, FBI Agents) and in the Foreign Service Act of 1946 for Foreign Service Officers.

#### 4. DISCUSSION

a. Do the duties of CIA employees vary to such a degree from the duties of other Government employees as to warrant a more liberalized retirement system?

(1) The duties of a substantial number of CIA employees vary from the duties of the average recipient of Civil Service retirement benefits in the following respects:

(a) Some are from time to time engaged in activities which might properly be defined as hazardous duty.

(b) Some serve overseas intermittently or for extended periods of time under clandestine conditions which limit them in the pursuit of normal living and sometimes expose them to hazardous conditions.

(c) Some serve overseas at posts which might properly be defined as "unhealthful."

(2) While it is recognized that many civilian employees of other Government agencies, for example, Department of Defense, Department of State, et al, serve overseas without special retirement benefits, it must also be recognized that CIA employees serving

25X1C

(b) They are members of a career service which might require them to serve at any post throughout the world as operational need dictates.

(c) As employees of CIA they are likely targets of foreign intelligence services and, as such, are subject to unusual hazards.

(3) It must be further recognized that the type of clandestine activity in which many CIA employees are engaged overseas requires a combination of mental, physical, and psychological characteristics

SECRET

which are found in diminishing proportions as employees advance past age 50 and particularly in those employees who have been engaged in such activity for an extended period of time. For this reason, retirement at an earlier age than permitted by the Civil Service Retirement Act for such employees is a factor which, for the benefit of the service, should be considered in weighing justification. Apart from the benefit to the service which could be achieved by encouraging early retirement of some employees, the intangible factor of esprit de corps which is derived in part from separate and unique benefits and which is so important as an incentive to the performance of duties overseas which are of an unusual and sometimes semihazardous nature, must also be given recognition.

b. Assuming that the duties of certain CIA employees subject them to unusual working conditions, is a liberalized retirement system a feasible method of affording them compensation?

(1) Precedent exists for liberalized retirement systems for FBI Agents and certain other Government employees because of hazardous duty, and for Foreign Service Officers presumably because of their eligibility for continuous overseas service. It must be pointed out, however, that FBI Agents receive no compensation for their unusual type of duty other than special retirement benefit and that Foreign Service Officers, although receiving special retirement benefits, are disqualified for post differential compensation which accrues to other Department of State employees serving overseas.

(2) Considering overseas duty under unusual working conditions as a factor which distinguishes CIA employees from other recipients of Civil Service retirement benefits, it should be recognized that if the acquisition of liberalized retirement benefits resulted in disqualifying them in any way from the financial benefits now accruing to such services, the achievement would be of little worth and definitely negative as a morale factor. While this thought might seem to indicate that CIA would be requesting greater benefits than accrue to recipients of other liberalized retirement systems, the proposals of this paper as hereinafter discussed are actually more conservative than the retirement provisions of either the Foreign Service Act of 1946 or Section 691(d) of 5 U. S. Code Annotated, which applies to FBI Agents and other persons engaged in the investigation and apprehension of criminals.

(3) In weighing the feasibility of applying liberalized retirement benefits as compensation for the performance of hazardous duty, as such, the following obstacles present themselves:

- 56 -

Tab D1

SECRET



(a) The difficulty of defining clearly what constitutes hazardous duty and then describing it adequately in any proposed legislation.

(b) The difficulty of applying the definition on a practical basis as a factor in computing creditable service for a reduced retirement age, e.g., the intermittent performance of hazardous duty could not be measured on a length of service basis.

(4) While recognizing that some employees of the Office of Training, Security, and TSS perform hazardous duty [redacted] it is felt that provisions should be made for their compensation by some method other than liberalized retirement benefits.

(5) It would appear, then, that a liberalized retirement system is a feasible manner of compensating for duty overseas under unusual conditions but is not feasible in CIA as a compensation for hazardous duty as such.

c. Inasmuch as legislation would be required to effect a change in CIA retirement benefits, should this legislation take the form of a CIA retirement act, or an amendment to the Civil Service Retirement Act?

(1) Basic to the proposal for new legislation which would affect CIA must be the consideration of whether or not the new legislation might in any way restrict the existing authority of the DCI. Caution must be exercised to assure that what appears to be a gain in benefits to CIA employees does not result in an encumbrance on the Director's powers.

(2) The advantages of proposed legislation in the form of a CIA retirement act lay in the fact that such an act would allow for the internal administration of the system without reference to the authority or review of the Civil Service Commission.

(3) The advantages of requesting amendment to the Civil Service Retirement Act would lay in the fact that advantage could be taken of the existing framework which could be modified only to the extent which the Agency desired. The individual mechanics of such items as "annuities to survivors," "return of deposits," "reduced annuities" would not have to be spelled out as they would if an entire retirement system were adopted.

(4) The advantages of an amendment to the Civil Service Retirement Act appear to outweigh those of a CIA retirement act principally on the basis of simplicity of application.

d. What factors should be considered in computing retirement benefits?

In pursuing the thought expressed in paragraph 4b above that compensation by way of retirement benefits for hazardous duty did not appear to be feasible, it should not, therefore, be used in the computation of retirement benefits. The following factors merit consideration as the basis for computing retirement benefits:

- (1) Total length of service.
- (2) Length of service overseas.
- (3) Length of service overseas at an unhealthful post or posts, as designated by the President under the provisions of Section 853 of the Foreign Service Act of 1946.
- (4) Age.

e. What weight should be given to applicable factors?

(1) Obviously the details to which the mechanics of the adopted system should extend would depend on whether the legislation would take the form of a CIA retirement act, or an amendment to the Civil Service Retirement Act. This discussion is not intended to outline in detail all the provisions of a separate CIA system but will confine itself to the suggested weights which might be applied to the various factors which might effect retirement.

(2) If there is validity in the idea that certain CIA employees who are engaged in activities which require qualifications found to a lesser degree in persons over 50, it would seem that using the minimum voluntary age of 60 (as prescribed by the Civil Service Retirement Act) as a basis, credit could be given on applicable factors to progressively reduce this age requirement to a point not less than age 55. Further, using the 30 year minimum length of service requirement of the Civil Service Retirement Act as a basis, credit could be given on applicable factors to reduce the requirement to 25 or even 20 years service. The following is a suggested table of weights to achieve the above requirements:

- For each year of service overseas - 18 months creditable service
- For each year at an unhealthful post - 2 years creditable service
- For each year of service overseas - 6 months credit toward reducing the voluntary retirement age
- For each year of service at an unhealthful post - 8 months credit toward reducing the voluntary retirement age

(3) The application of such a table of weights would result in a much more conservative retirement system than enjoyed by either Foreign Service Officers or federal personnel engaged in the investigation and apprehension of criminal, e.g., FBI Agents.

## 5. CONCLUSIONS

a. Arguments establishing justification for liberalized retirement system for CIA employees engaged in certain types of activities are sufficiently conclusive to warrant request for legislation.

b. A liberalized retirement system as a means of compensation to CIA employees for unusual working conditions is feasible providing that in acquiring such benefits the recipients are not disqualified in any way from receiving compensatory benefits which now accrue to them for duty overseas.

c. The proposed legislation should take the form of a request to amend the Civil Service Retirement Act.

d. "Hazardous duty" should not be considered in itself as a retirement benefit factor but should be used in justifying the use of other factors which might be more practically applicable. Age, total length of service, length of service overseas, and length of service at an unhealthy post should be considered as practical factors for computing retirement benefits.

e. Practical conservative weight standards can be applied to the factors which might qualify CIA employees for special retirement benefits.

**SECRET**

**JUSTIFICATION**

**SECRET**

SECRET

### LIBERALIZED RETIREMENT FOR CIA PERSONNEL

This is a request for appropriate legislation to authorize a more equitable retirement plan for employees of the Central Intelligence Agency who are required to perform their duties under circumstances considered in many respects to be unique in the civilian Federal service.

This proposal was submitted to Mr. H. Eliot Kaplan, Chairman of the Committee on Retirement Policy for Federal Personnel on 14 December 1953 for the consideration of that group.

This Agency has instituted a professional career service, which involves, among other things, a concept that employees are required to serve where and when they are needed in the best interest of Agency activities. In performing their assigned duties, many of these employees frequently are subjected to conditions which differ markedly from those generally typical of Federal employment. In the course of their careers with this Agency many employees will serve overseas under various cover restrictions which have an abnormal influence on their living habits. These individuals are likely targets of forces inimical to the best interests of the United States and are thus continually subject to potential hazard. In the event of war or civil disturbance in their area of assignment, they become immediately susceptible to attack or seizure. In addition to these general hazards, many of the Agency employees are required to perform duties which are hazardous in themselves. Also, certain of our personnel are required to serve at unhealthful posts in the course of their career with the Agency.

The overseas activities of many CIA employees require a combination of mental, physical and psychological characteristics which are found in diminishing proportions as employees advance in age. This is particularly true among employees who have been engaged in such activities for an extended period of time. In order to permit an infusion into the organization of younger personnel who have the desired qualifications, and also to permit the equitable separation of older personnel, the older Agency employees should be permitted to retire at an earlier age than would be possible under the current Civil Service Retirement Act, and this retirement should be on the basis of full annuity. Retirement on a full annuity basis is considered equitable since many of these individuals would suffer financial hardship in converting to other employment, considering the specialized nature of their official activities and the limitations imposed on divulging any information pertaining to these activities.

Accordingly, it is recommended that legislation be enacted to permit the retirement of the personnel referred to above on full annuity at an earlier age than is permitted under the existing Civil Service Retirement Act. It is recommended that, within the general framework of the present Civil Service Retirement Act, personnel serving under the conditions

SECRET

previously indicated receive extra service credits. Under the attached proposal, an individual's age requirement for voluntary retirement would be reduced by six months for each year of his overseas service. Moreover, the age requirement for his voluntary retirement would be reduced an additional two months for each year of such service at an unhealthful post. In computing years of creditable service for retirement purposes, an employee would receive a credit of  $1\frac{1}{2}$  years for each year of his overseas service and an additional credit of  $\frac{1}{2}$  year for each year of such service at an unhealthful post.

This request is consistent with the precedents established by the Congress in authorizing liberalized retirement plans for certain other groups having similar requirements within the Federal service. The Congress has authorized liberalized retirement plans for Foreign Service personnel and for personnel whose duties involve the investigation, apprehension or detention of persons suspected or convicted of offenses against the criminal laws of the United States. Under the Foreign Service Act, Foreign Service officers having twenty years of service who have reached the age of fifty years are entitled to retirement. Such individuals are also granted additional service credit for time spent at unhealthful posts. Special retirement for investigative personnel is provided by the Civil Service Retirement Act of 1930, as amended, which provides that such personnel may retire at age 50 when they have rendered at least 20 years of service. This Agency believes that a special retirement plan for certain of our personnel is consistent with the intent of Congress as expressed in the two pieces of legislation referred to.

Although the retirement plan proposed by this Agency is more liberal than that presently authorized by the Civil Service Retirement Act, it is less liberal than the retirement plans of the Foreign Service, or of the military services. Since a given employee in the course of his employment with the Agency would serve overseas only a portion of his time, retirement at an extremely early age would almost certainly be precluded.

EXEMPTION FROM PERFORMANCE RATING ACT

## EXEMPTION OF CIA FROM PERFORMANCE RATING ACT OF 1950

The Performance Rating Act of 1950 (64 Stat. 1098) abolished the former uniform efficiency rating system and established a program for the development of performance rating plans to meet the particular needs of the various departments and agencies within the framework of the Act and of regulations issued by the U. S. Civil Service Commission pursuant thereto.

The Act provides for the evaluation of performance and the recognition of merits of employees as a means of improving the effectiveness of employee performance, strengthening supervisor-employee relationships, and of recognizing outstanding contributions by employees. While there is no problem with respect to the intent and spirit of the Act, certain procedural features are prejudicial to the accomplishment of the mission of the Central Intelligence Agency. In the main, the points of difficulty involve requirements relating to external review and inspection which are incompatible with the Agency's practices and policies governing security of information and protection of intelligence sources and methods.

Discussions with representatives of the U. S. Civil Service Commission have indicated that administrative solutions to these problems are not feasible since they would hamper the Commission's discharge of its responsibilities as stated in the Act. Therefore, the Agency has developed, and is presently using on an experimental basis, a plan for the evaluation of personnel which satisfies the particular requirements of this organization and is consistent with the main objectives of the Performance Rating Act. The cost of administering this plan has not exceeded the probable cost of administering a performance rating plan in conformance with the procedural requirements of the Act. On this basis, it is requested that appropriate legislation be approved which will exempt the CIA from the Performance Rating Act.



SECRET

SPECIAL HOME LEAVE BENEFITS

SECRET

SECRET

## PROVISION OF SPECIAL HOME LEAVE BENEFITS

Section 5(a)(3)(A) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403(a) et seq.) provides authority to pay travel and transportation expenses to employees so they can take accrued annual leave at their place of residence after an assignment to a permanent duty station outside the continental United States, its territories or possessions, subject to certain conditions. The purpose of this leave is to enable employees who have accepted tours of overseas duty an opportunity to spend some time in this country at reasonable intervals. This leave time is of advantage to the employee and to the Government since it permits the employee to become re-oriented to the traditions and customs of everyday living in this country and to re-establish family ties.

One of the eligibility conditions for such leave is that the employee have to his credit sufficient annual leave to carry him in a pay status for 30 calendar days. This requires a minimum of 22 days accrued annual leave. Prior to the enactment of the Annual and Sick Leave Act of 1951 (5 U.S.C. 2062), Agency personnel accrued 26 days annual leave a year. It could be assumed that an employee, without any accumulated leave based on prior Federal service, would be able to use a reasonable amount of annual leave and still carry a sufficient balance to be eligible for home leave. Since some employees accrue only 13 days a year, whereas others accrue 20 and 26 days respectively, there is a considerable difference in the amounts of leave that may be taken by employees while overseas in view of the fact all must reserve sufficient leave (i.e. 22 days) during the 2 year overseas period to qualify for leave in the U. S. following overseas assignment. For example, a new employee who accrues leave at a rate of 13 days per year will have only four days annual leave available for use during a two-year service period if he must reserve 22 days for home leave use. On the other hand, another employee who has 15 years of prior Federal service will have 30 days of annual leave available for use during his overseas tour of two years.

Apart from such differences, limitation of annual leave to four days during a two year period is not compatible with modern personnel management practices which encourage periodic intervals of rest and relaxation. An additional disadvantage of the situation is that the new employee is denied the opportunity to take advantage of his residence in the overseas area by visiting points of interest during leave periods. Such opportunities are frequently an incentive to employees in accepting overseas assignments as well as being advantageous to the Agency in broadening their horizons.

Employees of this Agency accept a concept of career service which requires willingness to serve wherever needed. They are in many cases required to serve overseas tours comparable to those required of Foreign Service personnel. The travel benefits granted under sec. 5(a) of the CIA Act are comparable to those provided by sec. 933 of the Foreign

SECRET

SECRET

Service Act of 1946. However, the special statutory leave benefits that are granted Foreign Service personnel by sec. 203(f) of the Annual and Sick Leave Act of 1951 (i.e., one week for each four months of service outside the United States) are not provided CIA personnel who accept assignments entailing extended overseas service. This special statutory leave is additional to normal annual and sick leave, and may be used only in connection with leave following overseas service.

A very rough estimate of the probable cost of granting this benefit can be based on the number of employees currently serving overseas, usual duration of overseas assignment and average salary rate. It is anticipated that additional payments in connection with such statutory leave would approximate  per year.

SECRET

MISSING PERSONS LEGISLATION

### MISSING PERSONS LEGISLATION

The Missing Persons Act (P. L. 490, 77th Congress), as amended, which authorizes heads of agencies to designate Federal civilian and military personnel as missing-in-action or dead and to continue their salaries, allowances and allotments during a missing status, will expire 1 February 1954. Since this legislation is of prime importance in supporting the execution of this Agency's mission, the imminent expiration of the Act presents a grave problem. Appropriate legislation is requested to alleviate this situation.

The necessity for legislation which will provide this Agency with the essential authorities it now has under the Missing Persons Act is inherent in the employment of overseas personnel under conditions of strife among nations, whether it be civil or military, localized or world-wide, surreptitious or overt. The severity of the need varies with the world situation. During the time of war, for example, military personnel are extensively and primarily concerned. Although missing-in-action cases are fewer in number in peacetime, the present and prospective world tensions presage the continued exposure for an indefinite period of civilian and military personnel to possible apprehension by unfriendly forces. Central Intelligence Agency personnel are especially vulnerable to seizure by hostile foreign forces. This results in part from the necessity for overseas operations and in part from the nature of intelligence activities. Personnel engaged in intelligence operations may be subjected to sinister and ruthless action; in this sense, the risks assumed by certain Agency employees are abnormal in relation to those experienced by other civilian employees and by military personnel in time of peace.

Notwithstanding the magnitude of the problem at any given period, permanent legislation appears warranted as long as there is any threat of seizure of overseas personnel. Current legislation achieves two principal purposes. First, administrative requirements are established for making individual determinations of missing status or death, and, second, provision is made for the continuance or termination of compensation, allowances and allotments, as appropriate. That an administrative determination should be made of an individual's status - missing or dead - seems elemental; a finding of status is necessary for various reasons such as the notification of dependents and beneficiaries, and the settlement of unpaid compensation. Moreover, various legal actions are dependent upon and emanate from a determination of death, such as changes in marital status, payment of insurance, settlement of estates and receipt of certain governmental benefits.

The Agency's career service is predicated upon the willingness of its employees to accept an obligation to undertake any assignment at any location in the interest of the United States. Acceptance of this commitment is deemed essential to the Agency's operations even though it may require an employee to assume assignments and risks which are personally undesirable. The Agency recognizes, however, that such stringent demands must be counterbalanced by an assurance to its personnel that their dependents will have

some protection against financial adversity in the event detention occurs, and in the event of death that a prompt legal determination of death may be effected. The Agency believes that overseas employees exposed to risk regard the financial repercussions of their possible seizure as a matter of paramount concern. Accordingly, the proper recruitment and utilization of personnel and the maintenance of an Agency career service amply justify the continuance in this Agency of the authorities which it now has under the present Missing Persons Act. This Agency believes that its needs can best be met by permanent legislation.

~~SECRET~~

**JOB SECURITY**

- 71 -

Tab H

**SECRET**

## JOB SECURITY AND REDUCTION IN FORCE

### 1. PROBLEM

To determine whether additional legislation is required by the Agency with respect to establishing the job security of career employees and to conducting necessary reductions in force.

### 2. ASSUMPTIONS

a. It is the Agency's objective to develop and maintain a group of dedicated people who are carefully selected and progressively trained, who desire to devote themselves permanently to the needs of the intelligence service of the U. S. Government, who enjoy the satisfaction of a job well done, who look forward to the emoluments and benefits appropriate to such service, and who have the expectancy of a permanent career in CIA.

b. Career employees of the Agency will not be affected by reductions in force until all practicable reductions have been accomplished among other categories of personnel.

c. Such external review of the Agency's personnel activities as would reveal intelligence methods and sources is undesirable.

d. The Director would use his authority under section 102(c) of the National Security Act of 1947 to separate any employee when necessary to avoid the risk of such outside review as would reveal intelligence sources and methods.

### 3. FACTS BEARING ON THE PROBLEM

a. The size of certain career organizations in the Federal structure (for example, military services, Foreign Service, and permanent civil service employees) is periodically established by legislative limitations.

b. Agency Regulation   paragraph 2a(1) states that "the size of this career staff (i.e., the CIA career staff) will be determined by the long range needs of the Agency rather than by its more variable temporary requirements."

c. The provisions of the Veterans Preference Act and its implementing procedures apply to personnel activities of the Agency.

d. The Director has authority under section 102(c) of the National Security Act of 1947 to separate any employee of the Agency when he determines that such action is in the national interest.

### 4. DISCUSSION

a. Job security has been considered to mean an employee's expectancy of a long term career in the Agency. This expectancy should be limited only by the possibility of:



SECRET

- (1) Resignation or death of the individual;
- (2) Failure on the part of the individual to meet Agency requirements for performance, conduct, security or health; or
- (3) A necessary reduction in force.

The concept of job security is inconsistent with frequent fluctuations in the size of a career group, since they depend in large part upon the extent to which the size of that career group conforms to the long range needs of the organization at any given time.

b. Although the size of career organizations in the Federal structure is sometimes established by legislative action, such action requires Congressional review of the manpower plans and requirements of the organization and permits the possible introduction of political considerations in such determinations. Further since any change in the maximum limitation established by statute must be effected by amendment of the statute, the heads of such career organizations have no latitude with respect to increasing the stated limitation without submitting appropriate justification for Congressional review. The undesirability of submitting Agency manpower plans and requirements to Congressional and public scrutiny would seem to offset any advantage which might be gained through the establishment of statutory limitations on the size of the Agency's career staff.

c. The Agency's objective of retaining dedicated career employees would not be served by policies which would retain any individual who lacks an active personal interest in an Agency career. Nor would this objective be served if separations of career employees were arbitrary or frivolous. The continued association of a career employee with the Agency is of advantage both to the Agency and to the individual. A decision to terminate this association should be of at least as great importance as a decision to establish such a relationship. Therefore, it should be reached only after careful consideration of all pertinent facts both by the Agency and by the individual concerned. The decision to terminate a career employee should be made by a central authority established to make such decisions or by the Director. Under present Agency practice, this central authority is carried out by the Director in the exercise of his authority under section 102(c) of P.L. 253 - 80th Congress and in cases within the scope of Executive Order 10450, and in all other cases by the Assistant Director (Personnel). All decisions to terminate are made with consideration of the advice of appropriate Agency officials.

d. It follows that internal control is necessary to insure, at the Agency level, that all pertinent facts have been impartially considered before a decision to separate a career employee is made. It has been argued that such controls are restrictive and burdensome to operating officials by requiring them to justify their separation proposals to the satisfaction of a central Agency authority. Nonetheless such controls are essential in a career service. It should not be "easy" to separate a career employee. The Agency's policies and procedures for the separation of employees have been consolidated and recently coordinated throughout the Agency. Although

SECRET

Tab H

SECRET

the right of veteran preference employees to appeal separations to the Civil Service Commission conflicts with the general principle expressed in Assumption 2c above, experience indicates that undesirable disclosure of intelligence sources and methods can be avoided through exercise of the Director's special authority. (See Annex A)

e. The special status accorded veteran preference employees in reductions in force is in some conflict with a merit concept. (See Annex B)

f. It would be unsound for the Agency to propose legislation to amend the Veterans Preference Act as it relates to reduction in force and appeals for the following reasons:

(1) The limitations imposed by the Act do not seriously interfere with Agency operations;

(2) It would be extremely difficult, if not impossible, to present justification which would withstand public scrutiny without disclosure of clandestine activities; and,

(3) It is impossible that any such request would be favorably received in view of current political considerations as they might be expected to influence the Administration, the Congress, and the public.

## 5. CONCLUSIONS

a. Legislative action to establish maximum limitations on the size of the career staff is neither necessary nor desirable. Such limitations should be administratively imposed by the Director.

b. The Agency's Regulations governing separations are adequate for all types of separations except an extensive and general reduction in force and do not require additional legislation for effective implementation.

c. The Agency should not seek legislative exemption from the Veterans Preference Act.

SECRET

Tab H

**SECRET****ANNEX A****Outside Appeals**

The Veterans Preference Act establishes the right of Agency employees with veteran preference to appeal separation actions to the U. S. Civil Service Commission. This right conflicts with the principle that external review of the Agency's personnel activities is undesirable. Although the Director's special authority might be used to avoid the possibility of external review of all separation actions, it has been the practice of the Director to employ this special authority only in those cases involving sensitive information and in certain cases involving personal misconduct or indiscretion. It appears that this practice has been satisfactory in avoiding undesirable disclosure of information through employee appeals outside the Agency.

The Agency has not yet used general reduction in force procedures as prescribed by the Veterans Preference Act, although it has encountered reduction in force problems, some of them severe, in certain units. Those separation cases which have offered the possibility of appeal to the Civil Service Commission have involved consideration only of the employee's performance in his position or his conduct. Appeals from reduction in force actions are not concerned solely with a particular individual but may involve information concerning other employees and a range of Agency activities. Although selective use of the Director's special authority, as described above, would solve the outside appeal problem in reduction in force actions, the citation of this authority might reflect unfavorable upon the individual so separated. Nevertheless, it would seem that the need to protect sensitive information must be given primary consideration.

**SECRET**

SECRET

ANNEX B

Reduction in Force

The special status accorded veteran preference employees in reduction in force would be in some conflict with a merit system in this Agency or in any other organization. However, it must be recognized that veterans preference was given in recognition of the Nation's obligation to these individuals. It was not designed to further the effectiveness of Government operations. Briefly, the Veterans Preference Act provides that individuals who have performed active military service in certain emergency periods and certain members of their immediate families (widows, dependent mothers, or wives of seriously disabled veterans) will be granted special consideration in reduction in force. The rulings of the Civil Service Commission which administers the Act have the force of law and are binding on CIA. This consideration extends to a prohibition against the retention of a non-veteran preference employee in any position for which the veteran preference employee is qualified, unless it can be demonstrated to the satisfaction of the Civil Service Commission that the retention of the non-veteran is justified on the basis of the "efficiency of the service".

Reduction in force regulations under the Veterans Preference Act provide that employees will compete for retention within groups established by the Agency in consideration of geographic and organizational factors as well as by occupation and grade. The manner in which the Agency established retention groups would be subject to review by the Civil Service Commission in connection with its consideration of individual appeals.

- 76 -

SECRET

Tab H

**SECRET**

**PERSONNEL RESERVE**

**- 77 -**

**SECRET**

**Tab I**

## PERSONNEL RESERVE FOR THE CENTRAL INTELLIGENCE AGENCY

### 1. PROBLEM

To examine factors relative to the establishment of a Personnel Reserve in the Central Intelligence Agency.

### 2. FACTS BEARING ON THE PROBLEM

a. Personnel reserve organizations have proved effective in augmenting the Military, Public Health, and Foreign Service by providing trained forces immediately available during initial periods and for duration of a national emergency.

b. To provide for an effective personnel reserve, it is essential that an agency have prior claim to the services of the reservist.

c. Training is an essential part of a reserve program.

d. Regular employment reinstatement rights should be available to the reservist to the maximum extent possible.

e. Remuneration of the reservist provides some incentive in any mutual agreement between a reservist and the active organization of which he is a part.

f. Sources for organization of a CIA reserve can be found in employee listings of predecessor organizations, separatees in good standing of this Agency, and by direct recruitment.

### 3. DISCUSSION

a. The purpose of a CIA reserve is to provide a trained force of individuals, which, added to the force in the regular career service, will be adequate to enable the Agency to perform its functions and duties during initial stages of national emergency.

b. The CIA reserve should be composed of citizens of the United States and of its territories and possessions who are physically and otherwise qualified for performance of duty, and who, through acceptance of a reserve appointment, indicate their intent when called to serve the Agency during any period of national emergency or war declared by the Congress or the President to exist, and to take such training duty as may be required.

c. Consideration of security clearances as a problem in administration of a personnel reserve has developed that it is one largely of additional cost due to an increase of the number of investigations that must be made to assure valid security clearances for each reservist employee. Continuing costs for this investigatory procedure are estimated in Annex B "Cost Estimates Directly Chargeable to Administration of a CIA Personnel Reserve". Provision of an adequate staff and funds to process reserve clearances on an annual or periodic basis is the answer to this problem.

**SECRET**

d. Handling of security information in a reserve training program and, at the same time, avoiding compromise of current operations while providing material of value to the reservist and the Agency is inter-locked with the form and organization of the reserve training program. A first premise in avoiding such compromise is that the reserve trainee should not be given on-the-job type training in certain components of the Agency. In other components, on-the-job training is clearly appropriate. Considering these facts in a very general sense, a reserve training program appears entirely feasible provided the reservists are handled on a scheduled basis in courses carefully controlled and approved as to course content. Annex C - "Comments on a Reserve Training Program" provides further amplification of this.

e. Assignments in this Agency for reservists of other services are a problem which must be considered in the establishment of a CIA reserve. This is considered essential in view of the many well-qualified reservists of other services currently employed in the Agency or others who might be interested in serving the Agency during a national emergency but who probably could not be interested in a CIA reserve if required to give up their military or other reserve commission giving certain retirement benefits. The assignment of reservists of other services to this Agency is probably a problem for negotiation in each case between the Agency and those services in question, including reimbursement for all costs and salary incident to maintenance of a reservist contract.

f. Review of the sources for obtaining CIA reserve membership indicates that there are an estimated [ ] cases of individuals who were employees of predecessor organizations, and an estimated [ ] cases of individuals who have been separated from this Agency under honorable conditions. Of these cases, many may prefer to maintain reserve membership in other organizations in order to preserve retirement benefits, etc.

25X9A2  
25X9

g. The major problem in establishing a CIA reserve is to conclude an agreement with the military services for deferment of Agency reservists in the event of mobilization and for utilization during an emergency of Agency reservists who are in uniform or the military reserves. It would be premature to make final determinations on such facets of the program as employee eligibility, term of service, type of training, compensation and benefits, reinstatement rights, etc., prior to the conclusion of a basic agreement with the National Security Council or Department of Defense.

h. There would be no necessity for paying reservists except during periods of active duty or training. During such periods, however, the reservist would be, in fact, an employee of the Agency, and it follows that the Agency has authority for the payment of the reservist's salary as an Agency employee.

#### 4. CONCLUSIONS

a. It is concluded that a personnel reserve organization is desirable in order to insure orderly and effective augmentation of the Agency during initial periods and duration of a national emergency.



SECRET

b. It is concluded that the Director of the Central Intelligence Agency has authority under existing law to train reservists on active duty and to obligate funds for that training. No legislation is required for this purpose.

c. Establishment of a prior claim by the Agency to a reservist employee's services is largely a matter of mutual agreement between the reservist, his employer, the military service where the individual is a member of a reserve in that service, and the Agency.

d. Maintenance of security clearances on reservist employees constitutes no problem other than approval by appropriate authority of an adequate staff and funds to care for the investigatory work which is chargeable to maintenance of security clearances.

e. That the Director of Central Intelligence discuss this proposal with the National Security Council or the Secretary of Defense.



SECRET

## ANNEX A

### Excerpts from Statutes Providing for Employee Reinstatement

#### 1. The Foreign Service Act of 1946 (Public Law 724, 79th Congress)

##### Sec. 528. Reinstatement of Reserve Officers

"Upon the termination of the assignment of a Reserve Officer assigned from any Government agency, such person shall be entitled to reinstatement in the Government agency by which he is regularly employed in the same position he occupied at the time of assignment, or in a corresponding or higher position. Upon reinstatement he shall receive the within-grade salary advancement he would have been entitled to receive had he remained in the position in which he is regularly employed under subsection (d), section 7, of the Classification Act of 1923, as amended, or any corresponding provision of law applicable to the position in which he is serving. A certificate of the Secretary that such person has met the standards required for the efficient conduct of the work of the Foreign Service shall satisfy any requirements as to the holding of minimum ratings as a prerequisite to the receipt of such salary advancements."

#### 2. Coast Guard (Public Law 207, 81st Congress)

(Title 14, Part II - Coast Guard Reserve and Auxiliary)

##### Sec. 761. Engaging in Civil Occupation: Leave and Training Duty

". . . . All members of the reserve who are in the employ of the United States government or the District of Columbia who are ordered to duty by proper authority shall, when relieved from duty, be restored to the positions held by them when ordered to duty."

#### 3. Selective Training & Service Act of 1940

(Ch. 720, 54 Stat. 885, as reported in U. S. Code, 1946 Ed., Title 50)

##### Sec. 308 App.

"a. Any person inducted into the land or naval forces under this act for training and service, who, in the judgment of those in authority completes his period of training and service shall be entitled to a certificate to that effect . . . ."

"b. In the case of any such person who, in order to perform such training and service has left or leaves a position, other than a temporary position in the employ of any employer and (1) who receives such certificate,

SECRET

(2) is qualified to perform the duties of such position, and (3) makes application for reemployment within 90 days after he is relieved from such training and service or hospitalization continuing after discharge for a period of not more than one year -

(a) If such position was in the employ of the U. S. government, its territories or possessions, or the District of Columbia, such person shall be restored to such position or to a position of like seniority and pay;

(b) If such position was in the employ of a private employer, such employer shall restore such person to such position or to a position of like seniority status and pay unless the employer's circumstances have so changed as to make it impossible or unreasonable to do so;

(c) If such position was in the employ of any state or political subdivision thereof, it is hereby declared to be the sense of the Congress that such person should be restored to such position of like seniority, status and pay.

c. Any person who is restored to a position in accordance with the provisions of Para (a) or (b) of subsection b. shall be considered as having been on furlough or leave of absence during his period of training and service in the land or naval forces, shall be so restored without loss of seniority, shall be entitled to participate in insurance or other benefits offered by the employer pursuant to established rules and practices relating to employees on furlough or leave of absence in effect with the employer at the time such person was inducted into such forces, and shall not be discharged from such position without cause within one year after restoration.

\*\*\*\*\*

NOTE: Sec. 1 of the Act of June 1946 provided "that all of the provisions of the Selective Training and Service Act of 1940, as amended, are hereby expressly reenacted, except those provisions which are hereinafter amended or repealed (Sec. 303, 305, and 316 of U. S. Code 1946 Edition, Title 50, WAR, Appendix). Sec. 308, above, therefore was reenacted in June 1946.

SECRET

## ANNEX B

Cost Estimates Directly Chargeable to Administration  
of a CIA Personnel Reserve

## Annual Recurring Expenditure Estimate\*

<u>Item</u>	<u>Cost Estimate Per Individual</u>
1. Security Clearance, Annual Recurring Cost, Estimate	\$100.00
2. Salaries** (estimate based on GS-11, \$5,940 per annum) 15 days @ \$16.50	247.50
3. Per Diem Subsistence 15 days @ \$9.00	135.00
4. Transportation (Est. based on round trip Chicago-Washington) Round trip 1st. cl. fare \$75.38 Round trip Lower Berth <u>19.10</u>	<u>94.48</u>
TOTAL (Est.)	\$576.98

\* Est. costs chargeable directly to a reserve program. Substantial additional costs would be incurred that are not directly chargeable to a reserve program, such as the expenditures of the Training and Personnel Offices in administering the program.

\*\* Est. based on Public Law 351, Section 510, Career Compensation Act of 1949.

SECRET

SECRET

ANNEX C

Comments on a Reserve Training Program

Review of factors affecting training under a reserve program reveals that such a training program is feasible provided that it is handled on a scheduled basis carefully administered and controlled as to approved course content to insure:

1. That information provided for the reservist is of value and controlled on a true need-to-know basis.
2. That reserve training operations be confined to approved locations.
3. That any plans for active employment of the reservist during training shall be controlled in a manner insuring against unprofitable shopping around the Agency, a procedure providing limited training for the reservist and of questionable value to the Agency as regards security of operations.

An example of profitable on-the-job reserve training can be cited in the case of a support function such as Communications where it appears feasible and desirable that communications reservists, after appropriate indoctrination, can participate in actual communications problems simulating operations. This type of on-the-job training is not limited to the reserve training period but can be extended to communications operations problems on a continuing basis where the reservist volunteers for such a program.

SECRET

AN ACT "TO IMPROVE AND STRENGTHEN THE ADMINISTRATION OF THE  
CENTRAL INTELLIGENCE AGENCY."

**An Act**

To improve and strengthen the administration of the Central Intelligence Agency.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

Sec. 1. Sections 1 through 9 inclusive, of this Act may be cited as the "Central Intelligence Agency Act of 1954."

Sec. 2. The Congress hereby declares that the objectives of this Act are to develop and strengthen the Central Intelligence Agency so as --

(1) to foster and establish a Career Service, comprising a group of dedicated people, carefully selected and extensively trained who will accept an obligation to devote themselves permanently to the needs of the national intelligence effort of the United States;

(2) to grant the personnel of such Agency emoluments and benefits appropriate to a Career Service and to assure permanency of tenure during good behavior and the performance of competent work;

(3) to provide improvement in the recruitment, selection, and training of the personnel of the Agency;

(4) to provide for promotions to positions of authority and responsibility on the principle of merit and to insure selection of persons for promotion on an impartial basis;

(5) to provide salaries, allowances and other benefits that will permit the Agency to draw its personnel from all elements of American life.

Sec. 3. Under such regulations as the head of the Agency may prescribe, the Agency, with respect to its officers and employees assigned to overseas duty outside the continental United States, shall --

(1) In the event of illness or injury requiring hospitalization of an officer or full-time employee of the Agency or a member of the family of an officer or full-time employee of the Agency, where such illness or injury is brought about by circumstances directly related to the fact of such officer's or employee's duties or place of duty, not the result of vicious habits, intemperance, or misconduct on his part, incurred while on assignment outside the continental United States or while accompanying at Agency expense such officer or employee on assignment outside the continental United States, in a locality where there does not exist a suitable hospital or clinic, pay the travel expenses of such officer or employee, or member of the family of such officer or employee, by whatever means the head of the Agency shall deem appropriate and without regard to the Standardized Government Travel Regulations and section 10 of the Act of March 3, 1933 (47 Stat. 1516; 5 U.S.C. 73b), to the nearest locality where a suitable hospital or clinic exists and

on his recovery pay for the travel expenses of his return to his post of duty. If the officer or employee or member of his family is too ill to travel unattended, the Director may also pay the travel expenses of an attendant;

(2) Establish a first-aid station and provide for the services of a nurse at a post at which, in his opinion, sufficient personnel is employed to warrant such a station: PROVIDED, That, in his opinion, it is not feasible to utilize an existing facility;

(3) In the event of illness or injury requiring hospitalization of an officer or full-time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred in the line of duty while on assignment outside the continental United States, pay for the cost of the treatment of such illness or injury at a suitable hospital or clinic;

(4) In the event of illness or injury requiring hospitalization of the member of the family of an officer or full-time employee of the Agency, not the result of vicious habits, intemperance, or misconduct on his part, incurred while accompanying at Agency expense such officer or full-time employee on assignment outside the continental United States, and brought about by circumstances directly related to the fact of such officer's or employee's duties or place of duty, pay for the cost of the treatment of such illness or injury at a suitable hospital or clinic; PROVIDED, however, that payments under this subsection are continued only for such period as the head of the Agency shall prescribe;

(5) Provide for the periodic physical examination and for the cost of administering inoculations and vaccinations to officers and employees or members of the family of such officers or employees who shall accompany at Agency expense such officer or employee on assignment outside the continental United States.

#### Sec. 4.

(1) Immediately upon official notification of the death, not the result of his own misconduct, or any officer or employee of the Central Intelligence Agency the head of the Agency shall cause to be paid to the widow, and if there be no widow to the child or children, and if there be no widow or child, to any other dependent relative of such officer or employee previously designated by him, the sum of \$1,000, in addition to such other benefits as the dependents or the estate of the decedent may be entitled under any other provision of law. The head of the Agency shall establish regulations requiring each officer and employee having no wife or child to designate the proper dependent relative to whom this amount shall be paid in case of his death.

(2) Said amount shall be paid from any funds appropriate to the Agency; PROVIDED, That none of such funds shall be used for the payment of such sum to any married child or unmarried child over twenty-one



years of age of a deceased officer or employee who is not actually a dependent of such deceased officer or employee, and PROVIDED FURTHER, That in the event of the death of any beneficiary before payment to and collection by such beneficiary of the amount authorized herein, such gratuity shall be paid to the next living beneficiary in the order of succession above stated, and PROVIDED FURTHER, That if there be no widow, child or previously designated dependent relative, the head of the Agency shall cause the amount herein provided to be paid to any grandchild, parent, brother, sister, or grandparent shown to have been dependent upon such officer or employee prior to his death.

(3) Such gratuity shall not be subject to set-off, attachment, execution or other legal process seeking to charge such gratuity with the satisfaction of any indebtedness of the decedent.

(4) The head of the Agency shall have the right to determine cases of alleged misconduct or dependency and make awards under this section, and his determination of any matter pertaining to such award shall be final and conclusive upon the accounting officers of the Government.

Sec. 5. The Agency shall, under such regulations as the head of the Agency may prescribe, pay an allowance to assist an officer or employee of the Agency at a permanent station outside the United States to provide for the elementary and secondary education of a minor dependent accompanying such officer or employee. Such allowance shall be designed to defray partially the excess cost of education of such minor dependents over the cost of education at public schools for children in the United States based on cost factors in such locations as the head of the Agency deems appropriate. Such allowance may include tuition, board and room, correspondence courses and related costs; and transportation to and from the nearest locality where a generally equivalent course is available.

Sec. 6. Any officer or employee of the Central Intelligence Agency who is eligible to receive a retirement annuity under the provisions of the Civil Service Retirement Act (5 U.S.C. 691 et seq.) may, with the permission of the head of the Agency, be allowed the following extra-service credits in determining years of service and retirement age:

(1) for each year of service abroad the officer or employee shall receive credit for one and one-half years of service under the Retirement Act. For each year of service in places stated by the President to be unhealthful in accordance with section 853 of the Foreign Service Act, or other law, the officer or employee shall receive credit for two years of service.

(2) each year of service abroad shall lower the voluntary retirement age six months provided, however, that voluntary retirement shall not be allowed until such officer or employee shall have reached 55 years of age. Each year of service at an unhealthful post shall lower the



voluntary retirement age eight months. Reduction for either cause shall not reduce the amount of annuity received. Proportionate lowering of the voluntary retirement age shall be allowed for fractional years of service.

Sec. 7. Section 2(b) of the Performance Rating Act of 1950, 5 U.S.C., section 2001(b), is hereby amended by the addition of a new subparagraph (12) thereto, as follows: "(12) Central Intelligence Agency"

Sec. 8. The Agency shall, under such regulations as the head of the Agency may prescribe:

(1) Order to the United States or its territories and possessions on leave provided for in subsection (2) of this section every officer and employee of the Central Intelligence Agency who was a resident of the United States or its territories and possessions at the time of employment, upon completion of two years' service abroad or as soon as possible thereafter.

(2) Grant leave of absence to officers and employees of the Central Intelligence Agency without regard to any other leave which may be granted such officers and employees by any other act, for use in the United States, its territories or possessions, at a rate equivalent to one week for each four months of service outside the several States and the District of Columbia. Such leave may be accumulated for future use without regard to the limitations contained in any other law but no such leave which is not used shall be made the basis for any terminal leave or lump-sum payment.

Sec. 9. Regardless of the fact that the Act of April 4, 1953, c.17, section 1(f), (67 Stat. 201, 50 App. U.S.C. 1001-1005) cited as the "Missing Persons" Act" may expire, be repealed or otherwise terminate, the provisions of said act shall remain in full force and effect with regard to all officers and employees of the Central Intelligence Agency. The head of the Agency shall prescribe appropriate rules and regulations for the administration, determination and other matters required thereunder.

**SPECIAL LEGISLATIVE LIAISON PROBLEMS**

- 90 -

Tab K

**CONFIDENTIAL**

9 January 1954

MEMORANDUM FOR: Chairman, CIA Career Service Board

SUBJECT : Special Legislative Liaison Problems in the Proposed Career Service Legislation

1. In connection with proposed medical benefits there appears to be no legislative liaison problem.

2. In connection with proposed death gratuities there appears to be no special legislative liaison problem.

3. In connection with proposed educational allowances, in view of the fact that over-all Government legislation to solve this problem has been considered for some period of time, it would appear doubtful whether the Bureau of the Budget would permit CIA to seek its own legislation in this field. In view of the large number of children of Government employees overseas who have not received these benefits in the absence of general legislation, it is thought that such a proposal if submitted to the Congress might face rough sledding.

4. In connection with proposed legislation for liberalized retirement it is felt that the Bureau of the Budget would not approve separate CIA legislation until the Government has adopted an over-all position following submission of the report of the committee on retirement policy for Federal personnel headed by Mr. H. Eliot Kaplan. This committee report is due in the near future, and I believe that it is acquainted with our peculiar problem. As the Congress has an interest in this report it is doubtful whether they would consider any specialized provision for CIA in this field until study of the Kaplan Committee's recommendations has been completed.

5. In connection with the proposed exemption of CIA from the provisions of the Performance Rating Act of 1950, it is my understanding that a general study is in progress looking to the possible revamping of the entire performance rating program for the Government. This being the case, the Bureau of the Budget may feel that it would not be appropriate at this time to seek an exemption from the provisions of the Act. However, insofar as the Congress is concerned, there appear to be no reasons why CIA should not be exempted, and it is my belief that the climate would be quite favorable for this proposal.

6. In connection with proposals for liberalized home leave it is felt that there would be no legislative liaison problems in this connection.

7. In connection with proposed legislation concerned with missing persons, the present Missing Persons Act expires on 1 February 1954. A bill which will place Missing Persons legislation on a permanent basis, rather than on a basis of period extensions, was forwarded several months ago by the Department of Defense to the Bureau of the Budget which has so far declined to approve it. Regardless of executive action, the House Armed Services Committee proposes to commence hearings on some form of MIA legislation on 12 January, in view of the political pressures which would accrue should the present extension expire without replacement legislation on 1 February. The present thinking is that the House will recommend a further extension of present legislation to 1 July 1955. However, the present temporary extension was opposed in the Senate on the basis of the requirement for permanent legislation, and it is believed that this opposition may become more vocal with the request for a renewed extension. In view of these facts it is believed that CIA will be covered on Missing Persons legislation either by a temporary extension or by the permanent legislation proposed by the Department of Defense. If, however, it appears that permanent legislation is not to be enacted, then CIA should indicate to the Bureau of the Budget its concern with this problem, and request either the authority to seek permanent MIA legislation of its own or urge the Bureau to release the current proposals before it. In either event, it is not believed that the problem is one which should be met at this time by a CIA proposal for MIA legislation of its own.

/s/  
WALTER L. PFORZHEIMER  
Legislative Counsel

CONFIDENTIAL